桥 THE BRIDGE

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Message From The Chairman

主席致辞

Dear Members, Friends and Readers,

Welcome to the 2007 Spring Issue of **THE SWISSCHAM CHINA BRIDGE MAGAZINE.**

During the traditional Spring Festival which this year was on February 18th, the entire nation, with approximately 2.17 billion “person-time”, traveled across the country by train, bus, ship or plane for family reunions, a 4.9 percent increase from last year. In 2005, according to the China National Tourism Office, over 51,385 persons from China visited Switzerland which was a 26.18 percent increase at the time. While numbers for 2006 are expected to be higher than this, it still represents a fraction of the potential that Switzerland could build in growing its tourism with Chinese travelers. Factors affecting negatively our tourism industry obviously are 1) an absence of direct airline connections between China & Switzerland; 2) The current exclusion of Switzerland as part of the European Schengen visa treaty, currently expected to get resolved by 2008; 3) Procedural-induced constraints for our Government administration to issue much large numbers of Swiss Visas; 4) Difficult process involved for Chinese nationals applying for Visas on a personal travel basis; 5) Lack of availability of tourism services in Mandarin Chinese in Switzerland. Sorting out the above will create a new engine of our economy, through the tourism sector.

The Madrid-based World Tourism Organization indicated that global tourism hit a record in 2006 with 842 million arrivals, up by 4.5 percent a year earlier, with China as a key emerging market in the sector. If China maintains its current growth rate in the tourism sector, it will surpass Spain and France expected 2010 and 2020, respectively. The World Tourism Organization estimated that global tourism will grow by 4 percent this year and by an average of 4.1 percent each year through 2020. With this upward trend, the tourism industry in Switzerland looks very encouraging.

In closing up a year of events, Hong Kong continued to be very active with a Joint Chamber Mission to Macau for an Asia-European Business Disputes Conference “Arbitration in Switzerland”, and a Christmas Charity Luncheon with the Swiss Association of Hong Kong. To our regional office in Shanghai, the annual General Assembly was held and Mr. Christian Guertler was elected as its new President. Moreover, Swisscham Shanghai held its first IT-Conference and two interesting roundtable events on Logistics and CFO respectively for senior professionals. And SwissCham Beijing was very honored to host a breakfast briefing with the State Secretary for External Economic Affairs, Mr. Jean-Daniel Gerber in Beijing. The Annual Chairmen’s Signature Year-end Dinner Invite and the Inter-Chamber Cocktail continued the spirit of solidarity and dialogue among foreign chambers of commerce in China, as well as celebrating a fantastic year of cooperation and goodwill in Beijing.

Wishing you all a very healthy and prosperous year of the pig!

亲爱的会员，读者朋友们，

欢迎阅读中国瑞士商会《桥》杂志2007年春季刊。

传统的春节就要在今年二月十八号来临了，整个国家有大约有21亿7千万人次，无论是乘火车，汽车，轮船或者飞机，都会不远万里地回家和家人团聚。这个数字比去年同比增长了4.9%。
在2005年，依据中国国家旅游办事处的资料，有51，385人次的中国游客访问瑞士，于去年同比增长26.18%。而2006年的这一数字，预期会比去年更高，毋庸置疑，瑞士将吸引更多的中国旅游者，而这个统计数字也仅仅只是其中的一小部分。对我们的旅游业造成负面影响的显著因素有：

（1）中国瑞士之间没有之大的航班；
（2）现如今瑞士不属于欧洲申根签证条约的一分子，不过此问题预期在2008能得到解决；
（3）政府管理程序约束大数量的签证发放；
（4）中国个人旅游签证程序复杂；
（5）瑞士缺少普通话旅游服务。

认清以上五条，通过促进旅游业，我们的经济就会有一个新的腾飞动力。

总部坐落在马德里的世界旅游组织(WTO)的调查表明，全球旅游业在2006年又创下新的纪录，有8亿4千2百万人入境旅游，比上一年同比增长4.5%。其中呢，中国也成为了一个旅游的重要新兴市场。如果中国继续保持如今的入境游客增长率，他将会在2010和2020年分别超过西班牙和法国。WTO预测今年的全球旅游业将会增长4%，并以4.1%的年增长率持续到2020年。用这种增长势头来看，瑞士的旅游业前景非常得令人憧憬。

回首我们这一年的活动，香港地区分部仍旧积极的与澳门进行跨商会合作，举办亚欧商业纠纷瑞士仲裁会议，以及与香港瑞士协会成功地举办了圣诞节慈善午餐会。在我们的上海地区分部，Christian Guertler先生在年度大会上当选为他们的新一任总裁。而且，上海瑞士商会还举办了他们的首届信息技术大会以及物流和首席财务官的两个圆桌会议。与此同时，瑞士商会北京很荣幸地邀请到瑞士对外经济事务部长Jean-Daniel Gerber先生光临我们的早餐会。北京瑞士商会还举办了年度商会会长晚宴以及跨商会鸡尾酒会，并秉承一贯的与各中国外国商会的合作交流精神，度过了美好团结的一年。

祝大家在猪年身体健康，事业有成！

Cyrill Eltschinger
C.E.O., I.T. UNITED
Chairman, SwissCham China

埃尔钦汗
爱特优科首席执行官
中国瑞士商会主席

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Excellence in China Sourcing

- Some key factors for success

Background of the study

Sourcing from low cost countries has become a normal practice for most companies in their struggle to stay competitive in an ever globalizing world, and China has been on the forefront as a sourcing country over more than a decade. Imports of industrial and consumer goods from China to Europe have grown roughly 8 fold since 1997 and roughly two third of these flows can be regarded as part of an organized and managed sourcing operation.

But what seems even more interesting than the quantitative growth is the fact that the structure of China's sourcing products has shifted from lo-tech and lo-skill labor-intensive products to a much more diverse array of parts, processed components, raw materials and agricultural products, ranging from electrical engines to automotive components, hard discs and cameras, lap tops and aviation parts, batteries and furniture, raw vitamins and even to flowers for Europe and shitake mushrooms for Japan. Only in the service sector China's position as a sourcing nation is till a far cry away from India or other countries.

Specifically the automotive sector and as well machinery manufacturers have recognized over the past years the huge potential for cost savings through increasing their share of sourcing from China. Not only the large OEM's but as well major 1st tier component manufacturers have started to built up their sourcing teams since 3 or 4 years in order to reach their sourcing targets which typically go into the billions until 2010. Experienced Sourcing managers are in short supply and well paid.

About two years ago Roland Berger conducted a survey on "Excellence in China Sourcing" to better understand the Success factors in organizing sourcing from China. Altogether we analyzed a the sourcing activities of more than 20 companies in the manufacturing sector with a combined global revenue of over 270 billion USD and all participants were leaders in their respective industry. The participants also represented a wide spectrum of China sourcing experience, from companies with over 10 years experience to those which began their China sourcing operation just 2 years ago. The study aimed to identify

1. trends and developments in China sourcing
2. best practices employed by existing China sourcing offices
3. current and future challenges faced by China sourcing offices

and was conducted based on a mixture of public information, questionnaires and personal interviews and the results are as relevant today as they were two years ago.

ACHIEVING EXCELLENCE IN CHINA SOURCING

China sourcing offers an exciting opportunity for Western companies to fundamentally alter their cost structure and reshape the competitive landscape. Reaping the benefits of a China supply base can be frustrating and difficult but companies that are effective in leveraging China as a low-cost supply base will enhance their market positioning and preempt market pricing pressure. But it's not enough to just set up a China sourcing office. Management needs to design and implement systems to ensure effective China sourcing. It is only through such disciplined effort that companies can position themselves to enjoy the benefits of working with low-cost, high-quality suppliers in the Far East. The study confirms that though China sourcing can be challenging, some companies (which we refer to as "Leaders") are more capable of overcoming challenges by employing best practices in the areas of procurement strategy, procurement performance, and procurement enablers. In total, 5 key success factors with a total of 37 best practices were identified in the study. These best practices are effective in overcoming internal and external challenges arising from China sourcing. The results indicate that Leaders (those that employ a greater number of best practices in their China sourcing organizations) are growing twice as fast in China sourcing volume than others that participated in the study.

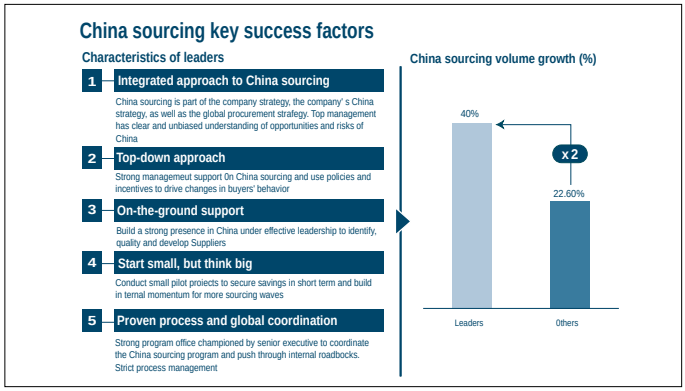

Exhibit 1: Key success factors in China sourcing

Source: Roland Berger Strategy Consultants

1. Integrated approach to China sourcing

The first key to success is the creation of an integrated approach encompassing strategy, performance, and enablers for China sourcing in order to overcome the expected challenges of the initiative.

A successful China sourcing strategy needs to be aligned with company strategy, China strategy, and procurement strategy while supporting the needs of the business. The strategy should also address different types of challenges related to areas such as politics, risk, strategic sourcing, flow of goods, the needs of the business, flow of information, and flow of funds which may arise from venturing into a new business environment.

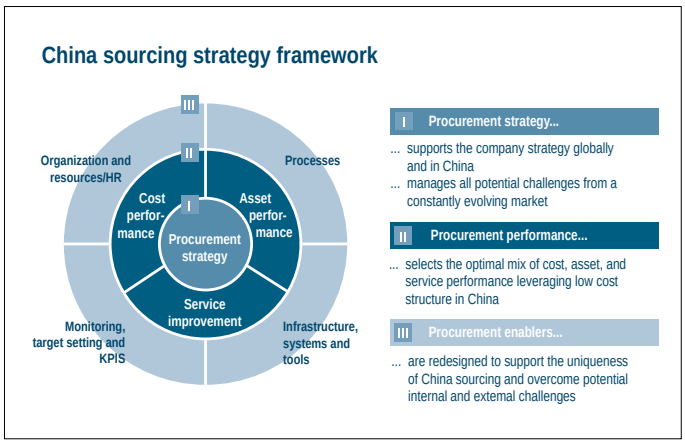

Exhibit 2: China sourcing strategy framework

Source: Roland Berger Strategy Consultants

Companies with an integrated and successful China sourcing strategy

- fully understand the implications of China on their global markets as well as understand its dynamics,
- see China sourcing as a core element of their global procurement strategy,
- have a clear strategic plan for leveraging China, and
- have a concrete 5-year China sourcing development plan in place.

2. Top-down approach

Many companies have set up fully staffed sourcing offices in China only to find out that there is no internal interest for China and that they must

resort to costly and often ineffective internal marketing to buyers in the West. It is important to drum up support for the initiative at the very beginning or risk failure of China sourcing. Getting consensus and support of top management is critical to the rollout of the initiative. We see the following as being factors for success:

- Top management is involved in removing roadblocks
- Executive directives on mandatory inclusion of Chinese suppliers in all bids
- Leverage budget and savings target to focus the sourcing team on developing supply bases in low cost countries like China
- Tie individual performance to support of China sourcing

Typically, China sourcing is conducted using a sender-receiver model in which the sender side (from overseas headquarters or plants) decides on and coordinates which part(s) to move to China while the receiver end (China sourcing office) identifies and screens the supply base for qualified candidates and implements the sourcing strategy in China. The model is not particularly complicated but getting it to run smoothly can be challenging.

3. On-the-ground support

The lack of supply market transparency in China and differences in culture, language, and business style all point up the fact that establishing a presence in China is critical from a sourcing perspective. Unless a team can be set up inside China, sourcing there is almost impossible to even begin contemplating. Many companies leverage expatriates to jump start their China operations because of their procurement experience and/or connections within the company. For most, the key focus for long-term development has always been on the building up of a local team. Success factors for building a strong China sourcing organization are:

- an effective HR policy to recruit, train, and retain procurement professionals,
- efficient internal education systems to educate global buyers on Chinese suppliers (e.g., bring buyers to China to experience China supply market),
- high recognition of China sourcing. The China sourcing office is seen as a training ground for future top executives within China and throughout the world, and
- direct access to the China sourcing office by top management who will support and drive the changes.

Leaders are able to attract and retain the right people to build their organization in China while others have difficulty in recruiting and retaining a team due to high turnover and limited number of available qualified candidates.

4. Start small, think big, and overcome internal resistance early

Like most change management initiatives, the most serious constraint to China sourcing often comes from within the company at the sending end. Despite top management's supportive stand on the issue of China sourcing, middle management from the sending end often lacks the same enthusiasm due to a lack of understanding of the Chinese supply market and to risk averse behavior. The best way to change this mindset is to get management involved in the process and allow them to experience the suppliers directly. Quite often, after auditing the supplier, the results are dramatic with the Western team being converted into supporters of China sourcing. Leaders in China sourcing at first leverage pilot programs to align internal processes while demonstrating the impact and results to internal customers. The pilot program helps to build creditability for the team and for the process and to melt away resistance.

5. Proven processes and global coordination

China sourcing is a globally-coordinated effort, so good process management coordination is the key to its success. Communication needs to be conducted on a regular basis and proper issue escalation venues must be set up to help resolve impasses. Tight program and process management is therefore recommended for handling the process with teams located both at the sending and receiving ends. The most successful companies:

- deploy China sourcing very systematically to generate maximum benefits,
- maintain open communication between the China sourcing office and the global purchasing team, and
- are not hesitant to re-evaluate established supplier relationships.

The study shows that China sourcing is a hot management topic that seems here to stay. Despite the early start by many companies, China sourcing still remains a small part of their total global spending, accounting for less than 3% on average.

NEW CHALLENGES AHEAD IN CHINA SOURCING

Unfortunately, as sourcing in China becomes more and more common, additional challenges await established China sourcing offices as well as newcomers. In addition to the fact that participants in the study revealed that they plan to grow their China sourcing value by 4 times between 2004 to 2009, more global companies are setting up China sourcing offices (particularly small- to medium-size companies from the U.S. and Europe). This will result in dramatic growth in China sourcing volume. Such an increase will cause a ripple effect throughout the marketplace in China and we can therefore predict that some of the current challenges will be replaced by new ones and that every China sourcing office will need to be proactive in meeting these challenges to achieve their high growth targets for China sourcing. What are these new challenges?

Availability and capacity of "good" suppliers. The general comment heard regarding Chinese suppliers is that they are very good at

manufacturing samples but serious problems emerge once mass production begins. The ability of Chinese suppliers to control quality has always been a problem. Though large numbers of suppliers exist in almost every industry in China, suppliers with good capability and quality systems are not numerous. In recent years, many of the "good" suppliers have been courted and locked up by various China sourcing offices. Despite the increased capacity of these suppliers, they are likely to be outpaced by the increased demand so latecomers are likely to have a more difficult time finding qualified suppliers and will need to develop second tier suppliers in China in order to secure long-term supply relationships. Such development has already begun in China in some industries (e.g., in the automotive parts industry) and will only increase significantly going forward.

Human resources. A current shortage of sourcing professionals will only worsen as more China sourcing offices are set up and more volume is sourced from China. This is especially serious in the middle to senior management level as new sourcing offices are looking for leaders to build their operations in China. As a result, high turnover and wage inflation can be expected. The situation will be magnified in areas where there is high concentration of China sourcing offices, e.g., in the Greater Shanghai area.

Broadening of capabilities. The increase in sourcing volume from China will place more pressure on companies to consider internalizing vs outsourcing some of the support functions related to China sourcing. Areas such as logistics management, export coordination, testing and qualification of parts and suppliers, and product research and development will likely be explored. China sourcing offices will broaden their capabilities to support their increasingly expanding operations. As a matter of fact, many companies that set up their China sourcing offices back in the 90s have already gone through a similar phase of expansion.

Dr. Eugen von Keller, 55, studied Law and Business administration in Geneva and St. Gallen and graduated in 1974 at the University of St.Gallen. He served two years as lecturer and earned his doctorate degree in 1980 at the University of St.Gallen. After working for more than one year at the headquarter of Siemens Corporation in Munich he joined RB Strategy Consultants in 1982 and was elected Principal in 1986. From1987 to 1988 he served as a director for corporate strategy at the Bertelsmann AG, before he rejoined Roland Berger Strategy Consultants in 1989 as a Partner responsible for the media industry.

From 1990 to 1995 he developed Roland Berger's M&A and Privatisation practise and advised several Government institutions in Central and Eastern Europe on privatisation and restructuring of state owned companies and developed Roland Berger's offices in Russia, Ukraine, Romania and the Baltic countries. He then took a sabbatical of two years during which he served as a Director of the Foundation for International Studies at the University of St.Gallen, which organizes the annual International Management Symposium.

After returning to Roland Berger in 1998, he became responsible for the offices in the Asia/Pacific region, based first in Japan and since 2000 in Shanghai and Beijing. Today Roland Berger Strategy Consultants employs more than 100 consultants in China and 70 consultants in Japan and advises major Chinese and Multinational Clients, among them several international Private Equity firms, on their strategy, organisation marketing and operations strategy or supports them in due diligence, M&A and post-merger integration.

His publications include several books and articles on cross-cultural management, on management in the media industry, on privatisation and economic transformation and on the development of the Chinese economy.

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How Long Will Chinas Low Costs Persist…?

With the country's fast development, it is reasonable to believe that living standards, salaries, costs and prices will rise quickly in China as they did in Japan, Taiwan and Korea, for example.
Eventually they certainly will; but whether they start rising in the next years, or in the next decades makes a very big difference for decision makers.

Increase in costs is indeed one of the main worries of foreign companies in China. Swiss subsidiaries managers rated "rising cost levels" highest among the risks to their businesses. (See Swiss China Survey 2006, p. 152, www.chinaguide.ch). It is also a common understanding among foreign invested companies that salary costs are going up almost as fast as the GDP (from 6 to 10% per year in Shanghai and Beijing, even faster in some second tier cities).

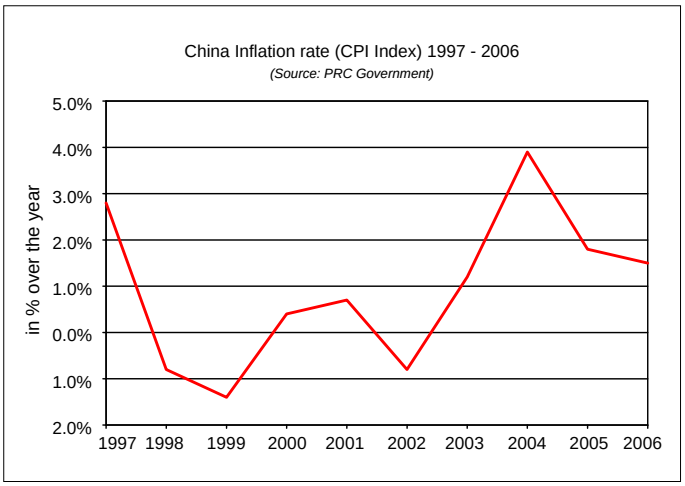
Considering the importance of China as an assembly and production location, it is certainly legitimate to wonder if the overall competitiveness of China as a procurement base starts to be eroded by the current speed of economic development.

Still, according to the Economist Intelligence Unit 2007 CEO Briefing, "59% of surveyed executive worldwide saw Asia as their key sourcing destination, with Central and Eastern Europe in a distant second place (15%)" .[1]

This provides a key indication that Asia remains most competitive. But how does it look for China?

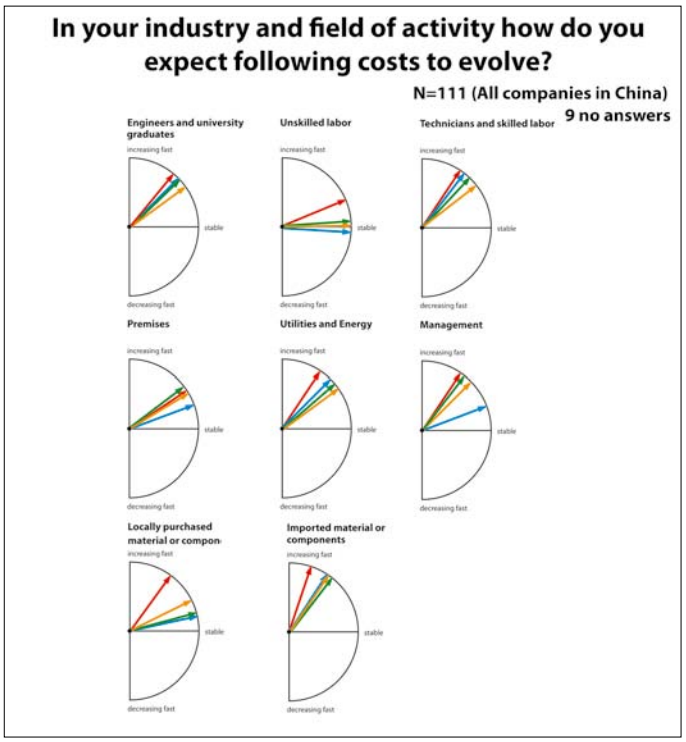
When looking at the overall picture, China's Consumer Price Index (CPI) has been going up very slowly (see Chart below: China inflation rate 1997 - 2006). Inflation was a mere 1.5% in 2006 and below 2% in 2005. Should we take the CPI of 1997 as a base, today's citizens will pay for their overall average consumption 106.5 RMB for what cost them 100 RMB 10 years ago. In terms of retail prices (RPI), Chinese today actually pay less (on average and in RMB) for the same basket of retail purchases than they did 10 years ago!

This trend is actually confirmed by the same foreign managers suffering from rising costs: ask them if they raise their prices to compensate rising costs and they will mostly tell you that, on the contrary, they have to reduce their sales prices to stay competitive…



The constant growth in Chinese exports (27% for 2006 over 2005) and positive trade balance also speaks out loudly in favor of the overall international competitiveness of what is "Made in China".
Interestingly, Chinese exports towards non-traditional low cost markets increased considerably: "those to Africa climbed by 42.9%, and to Latin America by 52.1%. Exports to countries in Eastern Europe also boomed, led by Romania and Bulgaria where demand for Chinese goods rose 344% and 304% respectively" [2]

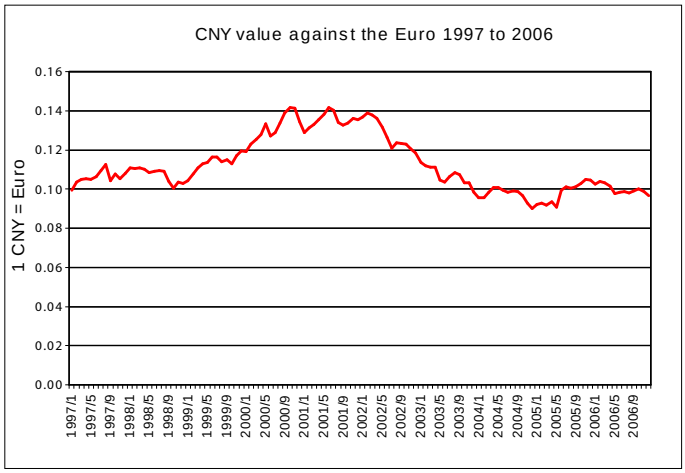
Managers of Swiss subsidiaries in China give a similar picture: they perceive costs of imported materials and components rising generally faster than those of local purchases, clearly indicating that locally sourced products are more competitive than those coming from the rest of the world. They also indicate stable remuneration for unskilled work (with the slight exception of South China. See charts below: "In your industry and field of activity how do you expect following costs to evolve")



In fact, though foreign companies' margins are under pressure, China's overall cost level has not changed much in the last 10 years and Chinese exports have remained very competitive.

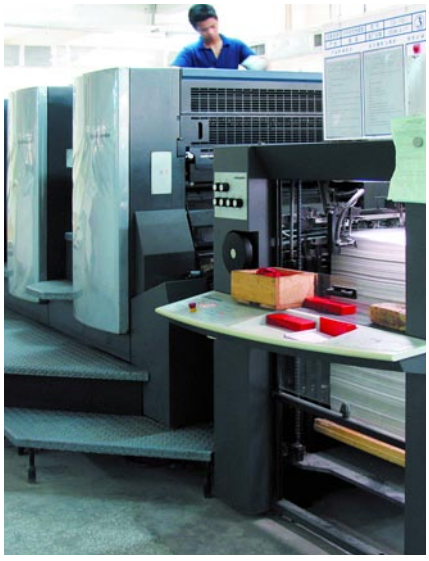
Still, even though costs have not increased much, are prices not bound to go up in the foreseeable future, say in the coming 3 to 5 years?

One may think that under US pressure to reduce trade deficits, the RMB (also called "Chinese Yuan" or "Yuan") could be forced to go up. Yet, looking into the past with a European perspective, one realizes that the Yuan is about as low against the Euro as it has been in the last 10 years. (See chart below: "CNY value against the Euro 1997 to 2006").



And though the RMB may continue to appreciate against the USD, it may actually be the USD losing against all currencies while the overall US trade deficit grows. Taking this point of view, the Chinese Yuan may not necessarily increase in value towards the Euro.

In addition, there is one important reason why both the Yuan may not appreciate (even against the USD) and why the costs of goods and services in China may not increase in the long term. Unexpectedly, it is closely linked to the, rarely mentioned, very low efficiency of the Chinese agriculture.



All things Chinese being cheap, one expects Chinese agricultural produce to be very competitive as well. Actually and due to the small lots of farmland and low mechanization level, one American farmer with modern equipment worth USD200,000.- may produce as much staple food as twenty thousand Chinese…[3]
Soy bean, a product widely associated with China, provides a striking illustration of this astonishing situation. Indeed, since China reduced duties on most commodities import as a condition of joining the WTO, duty-paid American soy beans imported into China are actually cheaper

than the home-grown ones.

Supposing now that the RMB appreciates substantially against the USD without corresponding improvement in farm productivity, Chinese farmers would have to lower their sales prices and reduce their income to compete with imported American food.
Keeping in mind the commitment of the Chinese government to improve rural incomes, it is safe to bet that the RMB will be allowed to increase only very slowly against the USD. (And from a European point of view, the RMB appreciation may not even occur as long as the Euro keeps on its upward trend against the USD.)

Additionally, low rural efficiency and the surplus of countryside labor have key consequences on the cost of the workforce in China: the Beijing National Economic Research Institute forecasts that for the Chinese farmers to become internationally competitive, about 300 million of them will have to find work in towns in the next 10 to 15 years .[4]
This will grow the current 150 million migrant laborers population at a rate of 20 million per year for the next 15 years; that is roughly the whole population of Taiwan entering Chinese cities labor markets on an annual basis, and in addition to the normal population growth …

Clearly, rural citizens are not able to take jobs requiring industrial skills or academic education. As a consequence they can mostly work in the construction sector, as domestic helpers or in the labor-intensive industries producing or assembling low-cost mass consumer goods.

With all efforts already underway to boost domestic consumption, it is unlikely that the Chinese market will absorb alone these additional productions.[5] If it is to employ its surplus labor and continue with its economic development, China will need to continue exporting cheap goods in competition with the garments, toys and appliances made in South-East Asia (and possibly in India and Africa in the future). And, clearly, Chinese factories will not be able to pay these new workers at levels that will price them out of the international markets.

An interesting test of this situation is the scheduled removal of quotas on textile products - notorious for their labor intensive production and low margins.
From January 1st 2008, Chinese manufacturers will be allowed to export apparel without any restrictions on quantities. Since current quotas are auctioned and generate a cost for producers, they favor the export of higher added-value items. The removal of quotas will almost certainly result in China capturing additional market share across the board, but particularly in the mid and low costs segments, made in Indonesia or in India for example.

All in all and as long as countryside Chinese keep working for very low wages rather than not work at all, it is most likely that unskilled labor cost will not go up much until the Chinese rural labor surplus is absorbed.
(Besides and since this workforce does not hesitate to move where better work is available, policies will probably be designed to keep migrant workers in their areas of origin to develop these regions. Setting high minimum salaries and limiting the number of unskilled migrants are examples of policies already applied in Shanghai.)

This migration from rural to city jobs is likely to take at least 10 years, if not 15 to 20 years, depending on the country's growth and the ability of the rest of the world to absorb more Chinese-made goods.
All along, Chinese costs of production will need be stable, or at least as low as those of all other low-cost countries.

(Raw materials and energy prices may continue to go up - in part because of the very industrialization of China - and influence the cost of Chinese goods. Yet, this should not affect the competitiveness of China as the higher price of these commodities will equally affect producers worldwide.) [6]

During all the years of transition while surplus labor from the countryside is absorbed, cheap goods will remain available on the local Chinese markets, made by and for the same low-skill low-cost labor force. [7]
China's economy will not fall in the categories we are used to; it is already neither a developing nor a developed country. Instead, the picture forming is the one of a composite, where a developed hi-tech economy employing high-skill graduates co-exists (though in different regions) with cheap labor-intensive productions, and with all the mid-tech gradations in between.
This allows for all to buy cheap food and clothing while star restaurant chefs or engineers, top managers and entrepreneurs have much higher disposable income than their counterparts have in the West, fueling demand for the best that money can buy: top quality and luxury products.

But why, then, are labor costs of foreign companies steadily rising?
Indeed, this migration from rural areas into towns generates a fierce competition on the low-skill labor market. This, in turn, spurs all parents

who can afford it to provide their children with the highest possible education. The consequence is predictable for those who know China: a domino effect leading eventually to an oversupply of schooled young people.

Still, the impact is striking: over 50% of new graduates stay unemployed for 6 months or more after leaving their campuses and routinely seek free employment in the first months in order to gain skills and experience. And when they get paid, their entry level salaries are 30 to 50% lower than 3 to 4 years ago…

The main reason for the paradoxical increase in salaries of foreign companies is that they need only highly qualified people and that these are, currently at least, in shortage. In other words, the macro situation of China does not really matter when one looks at the particular case of high-quality companies.

Indeed, while the quantity of new graduates is overshooting needs, the quality of the additional education capacity that is provided is, unfortunately, poor. As a result, a fraction only of the newly educated young people is suitable for employment in foreign companies (and in world-class Chinese enterprises).[8]

It just so happens that, despite the oversupply in general, the current speed at which foreign investors and good Chinese companies need to recruit is higher than the number of highly qualified people that the education system provides.

Chances are that competition will play its role so that young people will recognize the need to get the right quality education while, in the meantime, companies will have no other choice but train their own cadres. Should growth subside to the government's target levels (7.5 to 8.5%, instead of the current 10%) and foreign investment remain stable, the paradox of unemployment of graduates and lack of skilled management should resolve itself in a matter of years, the time for the pool of idle, young graduates to compensate their lacks through work experience.

Otherwise, we will experience a steady state of mild overheating where the income difference between people qualified for international businesses and the others will continuously grow, creating a new income divide.

Should the government pursue its goal of a "Harmonious Society", the social disparities will only increase to a point, pushing a policy correction to improve the overall quality of education and actually cool down the economy and the influx of foreign investment.[9]

References:

1. *CEO Briefing: Corporate priorities for 2007 and beyond, The EIU.*
2. *China economy: New horizons for trade, Feb 8, 2007, The EIU*
3. *Fishman, T. C. (2005). China * Inc. . New York: Scribner*
4. *Chee, H. (2004). Myths About Doing Business in China. New York: Palgrave Macmillan*
5. *Close to 40% of China's GDP is generated by exports, according to EIU, showing how important they have become and the relative limits of the domestic market (the China economy: New horizons for trade, Feb 8, 2007)*
6. *This argument was also proposed by Erik Berglof in the International Herald Tribune of April 20, 2006: "Despite huge political challenges, China's low cost advantage may well persist for decades. Unlike exports from Eastern Europe, where low wages are likely to be short-lived, especially for high-skilled labor, Chinese exports could retain their cost advantage for many years to come. The movement of hundreds of millions of underemployed workers from rural agriculture to urban manufacturing will take at least another decade."*
7. *If needed, the government could even allow food prices to go down as rural productivity improves. However, it is more likely that policies will favor the betterment of farmers' lives while entry level workers' wages will increase only as economic efficiency improves; China still has an important potential for costs reduction in logistics and supply chain, among others, through better infrastructure, management and cooperation among business partners.*
8. *10% by McKinsey's estimates. See "A Looming Shortage of Talent", McKinsey Quarterly, 2005/4, Diana Farrell and Andrew J. Grant*
9. *The new law on foreign investment expected to come in effect between April 1st and December 31st 2007 will revoke tax incentives for foreign enterprises. This is certainly a step in the direction sketched above.*

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中国的低成本将能持续多久...?

随着中国的快速发展，我们有理由相信，中国的生活水平、薪资、成本和价格都将快速提高（如日本、台湾和韩国）。

最终它们必将增长；但是在未来几年或者几十年内它们会不会增长，这对决策者来说有着很大的差异。

成本增加其实是在中国外企主要担心的问题之一。瑞士子公司的经理把“增长的成本”当作企业的最高风险之一(见瑞士中国调查，2006年，第152页，www.chinaguide.ch)。外商投资公司也普遍认为薪资成本的增长几乎和GDP的增长同步（上海和北京每年增长6%到10%，在某些二级城市的增速甚至更快）。

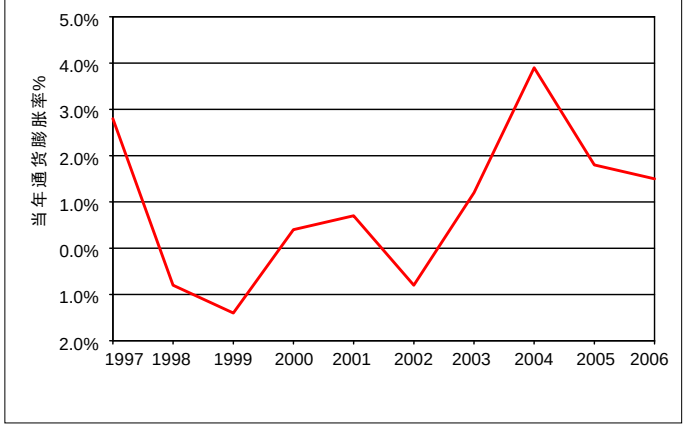
考虑到中国作为组装和生产地的重要性，人们也很自然地想知道目前的经济发展速度会不会开始侵蚀中国作为采购基地的整体竞争力。

同时，根据经济学家情报单位2007年的首席执行官简报，在全球范围内，参加调查的59%的执行官将亚洲作为其关键采购基地，中欧和东欧远随其后（15%）”[1]。
这说明亚洲仍最具竞争力。但是中国的情况怎样呢？

从全局来看，中国的消费物价指数(CPI)已经正缓慢增长(见下图：1997年—2006年中国的通货膨胀率)。2006年的通货膨胀率仅为1.5%，2005年则保持在2%以下。

1997年 – 2006年中国的通货膨胀率(CPI Index)

(资料来源：中华人民共和国政府)



若我们以1997年的消费物价指数为基础，按照总体平均消费计算，今天，市民要支付人民币106.5元即可买到10年前价值人民币100元的东西。至于零售价格指数(RPI)，今天，中国人实际上比10年前花更少(按照平均水平以人民币计算)的钱就能买到同样的商品！

同样面临成本增加压力的其他管理人士实际上也认同了这一发展趋势：如果问他们是否会提高价格来补偿增加的成本，恰恰相反，他们大多会告诉你他们会被迫通过降低销售价格来保持竞争力……

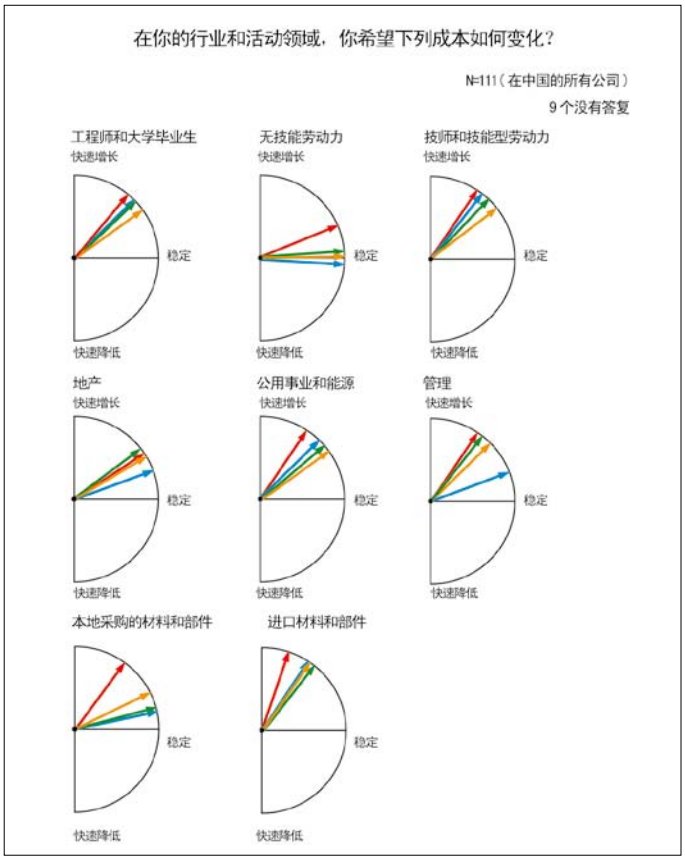
中国出口的持续增长(2006年比2005年增长27%)和贸易顺差向世界证明了“中国制造”的国际竞争力。
值得一提的是，中国对非传统低成本市场领域的出口也有着显著的增长：“向非洲的出口增长了42.9%，对拉丁美洲出口增长了52.1%。同时对以罗马尼亚和保加利亚为代表的东欧国家的出口也大幅增长，这两个国家对中国食品的需求分别增长了344%和304%。”[2]

位于中国的瑞士子公司的经理给出了类似的描述：他们认识到进口材料和配件的成本一般比在当地采购的成本增长快，很显然当地的产品比来自世界其他地区的产品更有竞争力。他们还表明非技能型工作的报酬保持稳定(华南地区略有差别。请见下图：“在你的行业和活动领域内，你

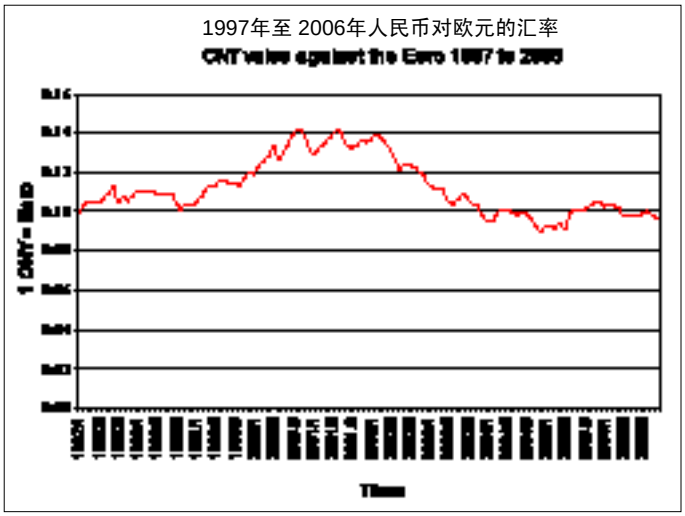
希望下列成本如何变化”）

事实上，外国公司的利润压力很大，中国的总体成本水平在过去十年中没有发生太大的变化，而且中国的出口已经保持了较强的竞争力。

另外，尽管成本没有大幅增加，但在可预见的将来——如三年到五年之内，价格会不会上涨呢？



有人可能会认为，在美国降低贸易赤字的压力下，RMB(也称“人民币”或“元”)可能会升值。但是，从欧洲的角度看看过去，我们会意识到，“元”对欧元的汇率会向过去十年那样低。(见下图：“1997年至2006年人民币对欧元的汇率”)。



即使人民币对美元的汇率继续升值，但实际上美国贸易赤字增长的同

时，美元对所有货币的汇率也会降低。从这个角度来看，人民币对欧元的汇率可能不会增长。

此外，还有一个重要的原因使得人民币可能不会升值（即使是对美元的汇率），中国的货物和服务成本在较长时期内可能不会增长。出乎意料的是，这和人们很少提及的、效率极低的中国农业有着密切的关系。

所有的中国产品都比较便宜，因此，人们也认为中国的农产品也会相当具有竞争力。而实际上，由于中国的农田小，农业机械化程度低，一个美国农民凭借价值200,000美元的现代化设备就能生产出两万名中国农民生产的食品……[3]
大豆这种和中国有着广泛联系的产品就证明了这一惊人的形势。事实上，自从中国为履行加入世界贸易组织的承诺而降低大多数进口商品关税之后，交完关税的进口美国大豆进入中国后实际上比中国自产的大豆还便宜。

假设现在人民币对美元的汇率大大升值，而中国的农业生产率没有相应地提高，中国的农民就不得不降低售价和减少收入才能和进口的美国大豆竞争。
只要记住中国政府关于增加农民收入的承诺，我们就敢打赌人民币对美元的汇率只能缓慢地增长。(从欧洲的角度来看，只要欧元对美元的汇率保持增长，人民币就不太可能升值)

另外，由于农业效率低下，农村剩余劳动力多，都对中国的劳动力成本起着关键的影响：据北京国家经济研究所统计，中国的农民要想具有国际竞争力，其中3亿农民就必须在未来十年到十五年在城镇找工作。[4] 这样一来，在未来15年里，目前1.5亿流动劳动者每年将增长2000万人；这大约是台湾每年进入中国劳动力市场的全部人数，同时考虑到了人口的正常增长……

很显然，农村居民不能承担要求行业技能或学校教育的工作。因此，他们大多从事建筑行业的工作，并成为国内的帮手，或者在生产或组装低成本的大众消费品的行业工作。

尽管中国政府已经采取各种措施刺激国内消费，但中国市场也不太可能独自吸收这些额外的产量。[5] 如果雇佣本国的剩余劳动力并继续保持经济发展，中国就需要继续出口廉价的货物和东南亚(未来可能是印度和非洲)生产的服装、玩具和家电进行竞争。很显然，中国的工厂不能给这些新工人支付国际市场水平的薪资。

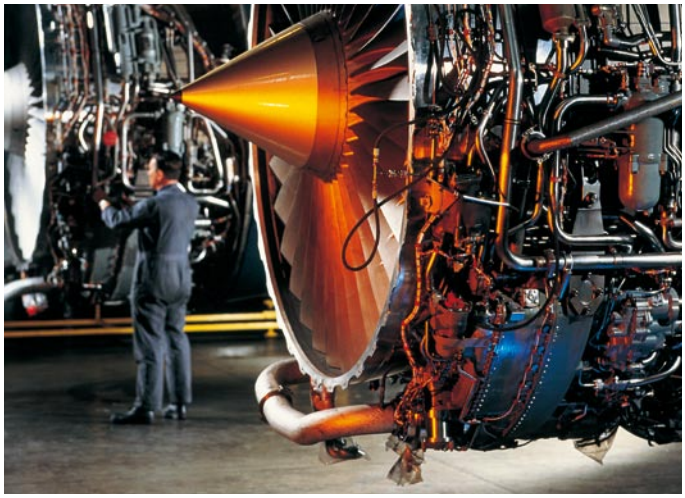
关于这一形势的有趣事实就是纺织品撤消配额时间表——因其劳动密集型生产和微薄的利润而闻名。

自2008年1月1日起，中国的生产商将被允许无限量地出口服装。由于目前实行配额拍卖，增加了生产商的成本，所以他们比较偏好出口那些具有高附加值的产品。配额的撤消必将使中国攫取更多的海外市场份额，尤其是印度尼西亚和印度生产的中低成本领域。

总而言之，只要中国的农民继续拿着较低的工薪的工作而不是根本不工作，只有中国的剩余劳动力被完全吸收，无技能的劳动力成本才会增长。
（除此之外，只要能找到更好的工作，这支劳动力大军就会毫不犹豫地东奔西走，政策就很可能倾向于把这些流动工人留在他们的来源地来开发这些地区。设定较高的最低薪资和限制无技能移民的政策已在上海实施。）

这种农村工作向城市工作的转移可能至少需要10年时间，甚至15至20年的时间，这取决于国家的发展和世界其他地区吸收中国货物的能力。
一直以来，中国的生产成本都需要保持稳定，或者至少和其他低成本国家的生产成本保持同等水平。

(原材料和能源的价格可能继续上涨——在某种程度上是因为中国的产业化，这将影响到中国货物的价格。但是，这不应该会影响到中国的竞争力，因为这些商品的较高价格同样会影响全世界的生产商。) [6]



在吸收农村剩余劳动力的转型期内，中国市场上仍然可以买到低技能低成本的劳动力制造或为之制造的便宜商品 。[7]
中国经济不会像我们习惯的那种方式下滑：中国现在既不是发展中国家，也不是发达国家，而正在成为这两种形式的结合体。它有着高技能研究生支持的发达高科技经济（尽管在不同的地区），与劳动密集型生产共存，这二者之间就是所有的中等水平技术。
这就能使所有人有条件购买低廉的食品和衣服，而星级饭店的主厨或工程师、高级经理和企业家比西方的同等人士获得更高的可支配收入，他们追求金钱能买到的最好的东西：最优质和最奢侈的产品。

但是为什么外企的劳动力成本却在稳步增长？

事实上，这种从农村地区向城镇的迁徙在低技能劳动力市场催生了激烈的竞争。进而驱使所有父母尽其所能为孩子提供最好的教育。对于了解中国的人来说，结果是可预见的：这就形成了多米诺效应，最终造成受过学校教育的年轻人供给过多。
这产生的影响是惊人的：超过50%的新毕业生在离开校园后6个月甚至更长时间内找不到工作，常常在前几个月内找份无偿的工作以获得技能和经验。当他们获得薪资时，他们的起步工资要比3到4年前低30%到50%……

而外企薪资离奇增长的主要原因是，他们只需要具备较高资质的人——而这些人，至少在目前是紧缺的。换句话说，当我们看待高质量的公司时，中国的宏观形势确实是不重要的。

事实上，在新毕业生数量超过需求的同时，额外教育能力的质量却是比较拙劣的。因此，只有一小部分受教育的新人才适合在外企工作(以及在世界级的中国企业里) 。[8]
这样的结果就是，尽管新毕业生总体供给过度，外国投资者和较好的中国公司需要招聘的速度却高于教育系统提供的具备高资质人才的数量。

因而会激发竞争，年轻人将意识到需要接受优质的教育，而同时公司除了培训自己的干部也别无其他选择。如果政府设定的目标水平降低（7.5%到8.5%，而不是目前的10%），外国投资保持稳定，这种矛盾——新毕业生找不到工作、缺乏技能型管理就能在若干年内得以解决，这期间闲置的年轻毕业生就可通过其工作经验来弥补自身的不足。

否则我们将面临持续的过热状态，国际性企业的高资质人才和其他人群的收入差距将继续拉大，形成新的收入悬殊。
如果中国政府追求“和谐社会”的目标，那么社会差距就只能增长到一定程度，促使政策改革来提高教育的整体质量，以及真正给经济和外国投资的流入将降温 。[9]

1. 首席执行官简报：2007年及2007年及未来几年公司需优先开展的活动，经济学家情报单位。
2. 中国经济：贸易新视野，2007年2月8日，经济学家情报单位(EIU)。
3. Fishman, T. C. (2005)，China * Inc. . 纽约：Scribner
4. Chee, H. (2004)，中国经营之谜(Myths About Doing Business in China)，纽约：帕尔格雷夫·麦克米伦（Palgrave Macmillan）出版公司。
5. 据EIU统计显示，中国的GDP增长中有近40%是由出口产生的，这充分显示了出口的重要性以及国内市场的局限性。(中国经济：贸易新视野，2007年2月8日)
6. Erik Berglof在2006年4月20日的International Herald Tribune上也发表过这种观点：“尽管面临巨大的政治挑战，中国的低成本优势仍会持续几十年。这不像东欧的出口，低薪资可能不会持续很久，尤其是对于高技能的劳动者，中国的出口则能在未来若干年内保持其成本优势。数亿的无业人员从农业进入制造业将至少还需要十年时间。”
7. 如果有必要，政府会随着农业生产率的提高而降低食品价格。但是，更有可能的是政策倾向于改善农民的生活水平，但只有在经济效率提高时，入门级工人的薪资才会增长；借助更好的基础设施、管理和商业伙伴之间的合作，中国仍然有降低物流/后勤和供应链成本的潜力。
8. 据麦肯锡公司估测，这个比例为10%。见“人才的短缺”，麦肯锡季报，2005年4月，Diana Farrell和Andrew J. Grant。
9. 关于外国投资的新法律有望在2007年4月1日与12月31日之间生效，这将撤消对外资企业的税收优惠待遇。这显然是朝着上述的方向迈进了一步。

作者：
Nicolas Musy，*瑞士商会上海董事会成员和国家代表*

Sourcing in China:

The Quest for Cost Savings

The two founders of SICT: Nicolas Ganshof (left) and Serge Mansourian (right)

Globalization and increased competition have led many multinationals as well as small - and medium - size enterprises from an array of industries to shift their production sites from high-cost to low-cost countries. This shift in production locale - off shoring - has become vital to those wishing to compete in a world market where clients continue to demand more for less.

China's rapid rise as a low - cost manufacturing hub has drawn special attention from companies across the globe because of its wide range of expertise and huge pool of labor.

Swiss Industrial Consulting & Technology (SICT): Adding value and providing integrated solutions

SICT is one of the few successful Swiss companies that established a presence in China to support Europe based businesses with sourcing activities in China. The company started operating in China 3 years ago and has since earned a strong standing in the management of manufacturing projects for the high-end industry as well as packaging field. Serge Mansourian, SICT CEO China, believes that the success of the company lies in its strong commitment to quality and its tight cooperation and communication with all involved stakeholders. For the future, he sees great chances for SICT as the full potential for cost saving through out-sourcing in China is still largely unexplored.

According to Mr. Mansourian, the challenges of sourcing from China are those typically faced in developing countries such as insufficiently consistent quality, a large communication gap and a lack of transparency. The latter challenges become harder to overcome when companies attempt to source directly from overseas without going through an entity based in China and with established experience with the Chinese business culture. Additionally, small- and medium-size enterprises looking to source in China could face other challenges pertaining to the relatively high cost of doing business there with volumes barely reaching minimum order quantities.

Trust, Communication and Quality: the tenets of success

The above are extremely important and could make or break a business in China. Upon setting up its operation in China, SICT immediately realized the importance of investing a lot of time and effort in optimizing the trust and communication with its stakeholders and the quality of its products to ensure its own success. In fact without one or the other, any business no matter how simple is sure to fail. Primarily, the objective of any sourcing management company must be to locate suppliers that can deliver on the promise they advertise thus establishing a sort of preferred suppliers' network. From this point on the sourcing management company should set-out to build a trustful win-win relationship where both parties work as a team in resolving conflict to reach the best outcome.

Quality control is as vital a task to any sourcing business looking to sell in a market where the client is becoming increasingly informed and demanding. In order to fulfill the client's quality requirements, SICT has found it necessary to perform continuous and rigorous inspections at the different stages of the manufacturing process. For this purpose, SICT has trained specialists in various fields of relevance to its business. The latter also provide assistance if a product needs to be developed or adjusted or if technical or design changes occur. Last but not least, special attention must be paid to communication which should promote transparency while respecting the Chinese business culture.

According to Mr. Mansourian, many manufacturers do not attach enough attention to project management which results in quality problems and costly delays. This is where management sourcing companies fill in and with the practice of the above tenets they are likely to save their clients much time and cost.

The supplier gap

Mr. Mansourian believes that manufacturing and sourcing in China will continue to attract customers over the world despite rising costs due to qualified labor and an increased attention to quality. Today, there are still huge differences in suppliers' performance ranging from world class

to very poor. The trend is however for this gap to be reduced with the increased demand for quality as suppliers become more eager to enter foreign markets. This will additionally drive suppliers to enhance their project management capabilities which will set better grounds for cooperation. Finally, increased competition from a growing number of qualified suppliers will lead to more transparency in prices. Supplier growth will also be at the product level with a wider product range, which will help to make supply chains shorter and more effective than ever before.

Specialist in sourcing management

To remain successful in the future, SICT and other sourcing management companies must adapt to the new environment and find active and attractive ways in which to position themselves. It is also crucial to continue creating smart and innovative solutions for different customers needs so that the latter can focus on their core competencies. According to Mr. Mansourian, adding value and maintaining competitive prices are keys to building sustainable win-win relations with customers.

GC

SICT in China and Worldwide

Swiss Industrial Consulting & Technology SA was established in 2001. From its base in Morges, Switzerland, **SICT** consults with an extensive variety of high-profile European firms in the luxury goods and high-tech industries. **SICT** offers its customers an integrated range of services, spanning design to delivery, in manufacturing high-tech, high value-added mechanical products and components of outstanding quality at the most competitive prices. By virtue of its in-house expertise and strong presence on the Chinese manufacturing scene **SICT** is able to offer industrial sourcing solutions to large companies as well as small and medium size enterprises.

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在中国采购：节约成本

SICT的两位创始人：
Nicolas Ganshof (左) 和 Serge Mansourian (右)

全球化及日益激烈的竞争致使许多行业的跨国公司和中小型企业纷纷把生产基地从高成本国家向低成本国家转移。在国际市场中，顾客们对物美价廉产品的追求从来不曾降温。而对于那些希冀在国际市场中博弈的企业来说，将生产基地转移——外包至海外，从而节约成本显得至关重要。

由于广阔的技术支持和巨大的劳动力市场，使得中国作为全球低成本的生产基地的地位不断上升，并吸引了来自世界各地的企业的关注。

瑞士工业技术咨询有限公司 (SICT)：增值与提供全套解决方案

SICT是为数不多的在中国成功设置代表处的瑞士公司之一。它致力于为欧洲公司解决在中国的采购问题。自从三年前进入中国市场以来，该公司已经在高端产业和包装市场的生产工程管理领域赢得了很高的声誉。

瑞士工业技术咨询有限公司中国区执行总裁Serge Mansourian认为，公司的成功取决于对高品质服务的承诺以及与所有客户的紧密合作和深入交流。对于未来，他看到了前所未有的机遇，因为在中国，通过外包节约成本的潜在需求还有着巨大的市场。

据Mansourian先生说，在中国采购所面临的问题，诸如产品质量参差不齐、巨大的交流障碍和透明度之匮乏等在发展中国家普遍存在。当一些公司试图绕过中国国内的企业实体而直接从海外采购，并且用业已拥有的贸易经验去面对中国商业文化时，后一个难题尤其难以克服。此外，中小型企业在中国采购的时候还会面临其他挑战，这常常与在中国开展业务的成本相对偏高有关，因为交易量很难达到最小值。

诚信、沟通与质量：成功之道

以上所提内容至关重要，因为它们决定着在中国开展业务活动的成与败。在中国代表处成立以后，瑞士工业技术咨询有限公司很快就认识到，投入大量时间与精力让客户的信任与交流达到最优值，同时提高自己的产品质量才是它们的成功之道。事实上，二者不可偏废，否则不管多么简单的交易都注定会失败。首先，任何采购管理公司的目标必须是找到能对宣传作出承诺的当地供应商，由此建立起一种优化的供应商网络。从这点来说，采购管理公司应该着手于建立一种可信赖的双赢关系，在这种关系中，双方可以以团队合作的方式化解冲突，从而达到最好的效果。

随着顾客的信息量扩大与需求的日益增长，对任何希望获得市场的采购公司来说，控制好质量至关重要。为了满足顾客们的质量要求，瑞士工业技术咨询有限公司发现，在生产过程中的不同阶段进行持续、严格的检查非常必要。为此，瑞士工业技术咨询有限公司针对不同的业务领域培训了一批专家。若需对产品进行开发、调整，或技术、设计需作出改变，他们也能提供帮助。至少，在涉及到中国商业文化的时候，我们尤其要关注交流，因为交流可以提高透明度。

据Mansourian先生说，许多生产商对工程管理未给予足够的重视，以至于造成质量问题或者成本高昂的延滞。而采购管理公司可以为此提供帮助。实践中，他们遵循以上成功的原则，为顾客节约不少时间和成本。

供应商差距

Mansourian先生坚信，尽管劳动力专业化和质量要求的不断提高导致成本增加，在中国发展采购与制造仍然会不断地吸引全世界的消费者。今天，供应商们的业绩仍然有巨大的差异，从世界一流到非常糟糕无所不包。然而，这种差距正在日趋缩小，因为供应商们越来越渴望进入异国市场，由此质量的需求也得到了重视。不仅如此，这也会驱使供应商们提高他们的工程管理能力，这将为我们的合作铺平道路。最后，越来越多的高品质供应商们投入到日益激烈的竞争中，产品价格因此而越来越透明。供应商们的成熟不仅表现在产品种类增加，也表现在产品水准的提高，这些都将让供应链变得空前的简短有效。

采购管理专家

为获得未来的持续成功，瑞士工业技术咨询有限公司和其他采购管理公司必须适应新环境，寻求有吸引力又有效的途径来提高地位。针对不同的顾客需求，激发奇思妙想和创新的解决方案也显得尤为重要，这样可以让客户专注于提高他们的核心竞争力。对Mansourian先生来说，服务增值并保持有竞争力的价格是与客户建立可持续发展的双赢关系之关键。

瑞士工业技术咨询有限公司在中国与世界

瑞士工业技术咨询有限公司成立于2001年，瑞士工业技术咨询有限公司总部设在瑞士的Morges。该公司已经为生产高端奢侈品和高技术产品的各大欧洲公司提供了多种多样的咨询服务。在高科技生产和增值工业产品领域，从设计到产品交付，瑞士工业技术咨询有限公司能为客户提供成套的全程服务，价格最具竞争力，服务质量上乘。凭藉其出色的专业队伍，瑞士工业技术咨询有限公司在中国生产基地拥有强大业务和优良口碑，能为大、中小型公司提供产业采购问题的最优解决方案。

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Production in China:

Cost effective and close to the local market

Ciba Specialty Chemicals:

Ciba Specialty Chemicals is a global company that started production in China 15 years ago and has since then maintained a leading position in several segments. Kuno Kohler, Regional President of the Asia North Region sees China as an important pillar in their global production network and wants to further strengthen their position in this key region.

Ciba in China produces a wide range of innovative products including additives for the plastics industry, pigments for the coatings industry and different effect chemicals for the paper industry. The main reason for its production in China is the cost effectiveness and the closeness to both their local and global customers who are increasingly focusing on the region. Shifting some of its asset base from the Western Hemisphere to Asia-Pacific is a strategic decision of Ciba as the sales in this region make up more than 25% of their global turnover.

World-class industry parks and well established logistics infrastructure

China has a lot of advantages compared to other countries. It has a lot of expertise in the area of manufacturing and it also provides world-class chemical industry parks in the country and the important logistics infrastructure has improved continuously. A lot of raw material can be sourced in China these days and the huge domestic market demands to be supplied from local plants. Moreover, an increasing number of clients have established a “localization” policy, meaning they will source with priority from local plants and having production capabilities in China therefore gives Ciba a competitive advantage.

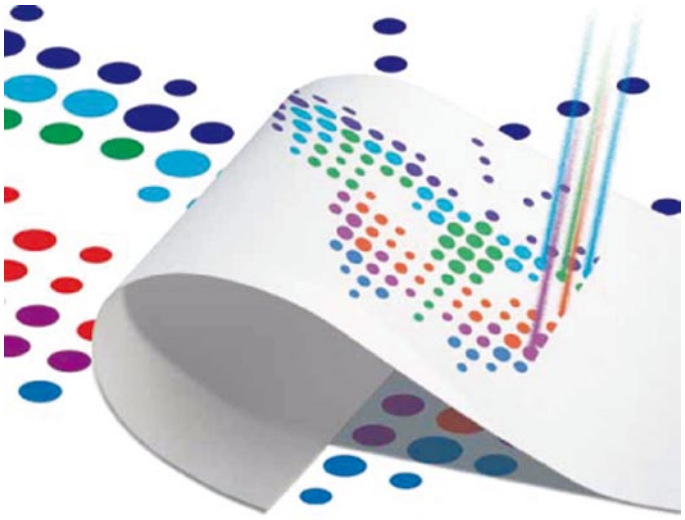
Aggressive local competitors

Obstacles in China are aggressive local competitors, (some of)whose only concern is to get their products manufactured and out in the market as soon as they can. Ciba is a global company which strives for high Environmental Health & Safety standards in its sites worldwide, they therefore have this as an area of consideration in their production process where no compromise are made.

In addition, bureaucracy continues to be a challenge when setting up plants outside of well-established industry parks.

Ciba also needs to keep an eye on intellectual property rights with process technology in the country but there is no doubt that there has been considerable improvement made in this area.

Finally, like many other companies, retaining and finding the right people to manage its plants will remain a challenge but its management development offering is helping Ciba to attract and retain high-quality people. Likewise, Ciba is also developing up the local technical expertise as an important step for its sustainable future.



Rising labor costs

The major contributors of production costs are engineering, equipment, land, infrastructure and labor costs. Most of these elements can now be sourced locally and the reliance on imports of equipment is much less. Energy is still relatively expensive in China and costs for skilled labor are also rising at a rather fast rate in the coastal areas due to the gap between demand and supply.

Ciba Specialty Chemicals has a global production network of which its sites in China belong to. They look beyond China to see how one can actively contribute to achieving its business goals and further strengthen its position not only in China, but in Asia as well and globally is important. China and India are two markets, which undeniably need attention and will be priority locations for any new investments.

GC

Ciba Specialty Chemicals in China and Worldwide

Ciba Specialty Chemicals total investment in the China region amounts to over USD 300 million with 3 trading companies, 2 branch offices and 9 production sites. Its business in China has bees showing steady double digit growth over the last few years. A newly built R & D Center located in Shanghai is the newest member of its global R & D network and demonstrates **Ciba**'s belief in the growth potential of the region and its commitment to China.

Ciba Specialty Chemicals (SWX: CIBN, NYSE: CSB) is a leading global company dedicated to producing high-value effects for its customers' products. We strive to be the partner of choice for our customers, offering them innovative products and one-stop expert service. We create effects that improve the quality of life – adding performance, protection, color and strength to plastics, paper, automobiles, buildings, home and personal care products and much more. **Ciba Specialty Chemicals** is active in more than 120 countries around the world and is committed to be a leader in its chosen markets. In 2006, the Company's continued operations generated sales of CHF 6.4 billion and invested CHF 270 million in R&D.

CEO Briefing:

Corporate priorities for 2007 and beyond

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- Asia-Pacific is the world's workshop, but also its biggest source of new demand—and risk.

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首席执行官(CEO)

简报：2007年及未来几年公司需优先开展的活动

经济学家情报单位的调查报告对未来的发展给予了乐观的预测。百分之九十的执行官认为未来三年的商业前景为良好或非常好。

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中国生产：高成本效率、贴近本地市场

汽巴精化：

汽巴精化是一家全球性的公司，早在15年前便在中国投产，一直以来在数个细分市场中始终维持其领先地位。北亚洲区总裁Kuno Kohler将中国视为其全球生产网络的一个重要支柱，希望能够在这一关键区域进一步巩固加强其地位。

汽巴在中国生产一系列创新产品，包括为塑料行业生产的添加剂，为涂料行业生产的颜料以及为造纸行业生产的不同效果的化学品。选址中国作为其生产基地的主要原因在于较高的成本效率和贴近其本地和对中国日渐关注的全球客户的地理优势。将其资产的一部分从西半球迁至亚太区是汽巴的一项战略决策，因为其在该地区的销售占到全球销售额的25%以上。

世界级工业园和完善的物流基础设施

与其他国家相比，中国的优势十分明显，她不仅拥有制造领域的诸多专知，而且还提供世界级工业园，重要的物流基础设施也不断得以改善。现在，很多原材料可以直接从中国采购，而庞大的国内市场又需要本地工厂的供应。此外，与日俱增的客户群已建立起“本地化”政策，即在其采购过程中优先考虑本地工厂，并在中国拥有产能，因此为汽巴提供了竞争性优势。

积极进取的本地竞争对手

在中国发展的制约因素和阻碍是积极进取的本地竞争对手，他们唯一的关注点便是尽快生产其产品并在市场上售出。汽巴是一家在其全球基地奉行高度的环境健康和安全标准的全球化公司，因此在其生产流程中充分考虑到这一点，没有半点妥协。

此外，在完善的工业园外组建工厂，繁琐的办事程序仍然是一大挑战。

汽巴还需要关注中国流程技术的知识产权，不过毋庸置疑，这一领域已经经历了相当客观的改善。

最后，和许多其他公司一样，聘用并寻求合适的人选来管理工厂也将仍然是一大挑战，但其管理开发活动正在帮助汽巴精化吸引并留住高素质的人才。同样地，汽巴也正在发展其本地技术专知，作为其未来可持续发展的一个重要步骤。

提升劳动力成本

生产成本的一个主要组成部分便是工程、设备、土地、基础设施和劳动力成本。这些元素中大多数现在已可从本地采购，因此对进口设备的依赖性大大缩减。在中国，能源仍然相对昂贵，而沿海地区技能娴熟的劳动力成本也因供需差距而在飞速上升。

汽巴精化拥有全球化的生产网络，其中国基地也包括在内。它们不拘泥于中国，而是放眼全球，认真思索如何积极致力于实现其业务目标，并进一步巩固其在中国、亚洲乃至全球范围内的地位，这一点十分重要。不可否认，中国和印度是需要给予极大关注的两个市场，并将作为任何新投资的首选地区。

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汽巴精化中国和汽巴精化全球

汽巴精化在中国地区的总投资超过3亿美元，拥有三家贸易公司、两家分支办事处和九个生产基地。其在中国区的业务蒸蒸日上，稳步增长，过去几年来均实现了两位数的增长。在上海新近组建的研发中心是其全球研发网络的最新成员，诠释了汽巴对中国区增长潜力的信心和对中国区的承诺。

汽巴精化（瑞士证券交易所：CIBN，纽约证券交易所：CSB）是一家领先的全球化公司，致力于为其客户的产品带来高价值的影响。我们努力成为我们客户的首选合作伙伴，为其提供创新产品和一站式的专家服务。我们创造的效果能够改进人们的生活质量——为塑料、造纸、汽车、建筑、家居和个人防护用品等添加性能、保护、色彩和强度。**汽巴精化**在全球范围内的120多个国家都有业务运营，表现不凡，并致力于成为其所选市场的领头企业。2006年，公司的持续运营创造了64亿瑞士法郎的销售额，并投资2.7亿瑞士法郎于研发领域。

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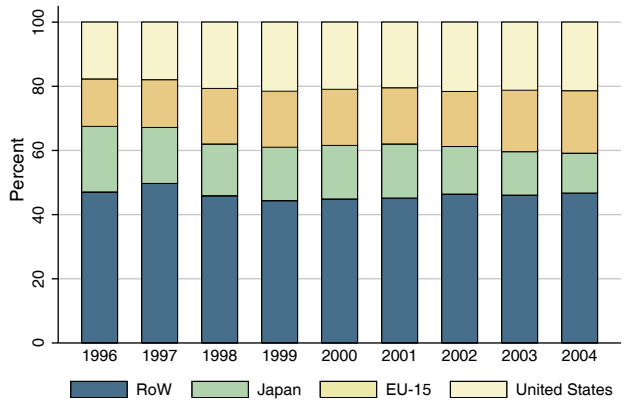
China's Exports Become High Tech and High Skilled

Prof. Dr.** Heinz Hauser*, ***International Affairs Programme, University of St. Gallen, Switzerland

China's export growth is impressive. According to WTO statistics, the numbers almost quintupled from 121 billion U.S. dollars in 1994 to 593 billion in 2004. Measured as a share of world trade, China's exports increased from 2.80% to 6.48% of world merchandise exports over the same period. The geographic distribution of China's exports has remained relatively stable - with one exception (graph 1). In 1996, some 20.5% of all Chinese exports went to Japan; this share has dropped to 12.5% in 2004. In her place, the U.S. and the EU have gained in importance. These three trade blocks absorb slightly more than half of China's total exports. Among the large group of countries labelled "rest of the world - RoW", the six East Asian traders[1] stand out as major trade partners.



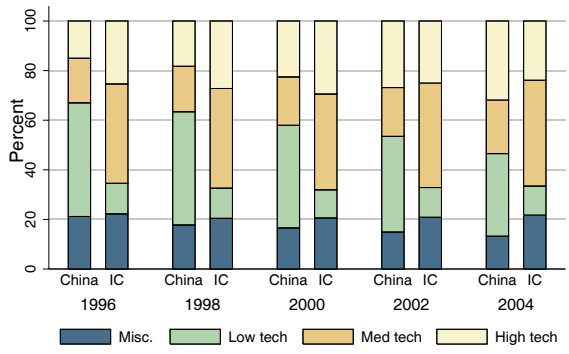
Source: OECD International Trade By Commodity Statistics, own calculations.

Graph 1: Geographic distribution of China's exports

The rise of China to a leading world trader is well documented and business men and the public at large are well aware of this shift in the dynamics of world trade and production. What is less known is the fact that China's exports do not only compete for a rising share of world trade but that her export structure becomes more and more sophisticated and converges to OECD countries' high tech and skill levels. Compared to her general level of economic development as measured by GDP per capita, China exhibits an atypically strong component of highly sophisticated export products.

Increasing high tech and skill levels in Chinese exports

Graph 2 compares China's export structure with a reference group of highly developed industrialised countries (United States, EU-15 [only external EU trade], Switzerland, Japan, Australia and New Zealand - data for Canada was not available on a comparable level of disaggregation). The low tech group includes textiles, clothing, furniture, toys, metal parts, plastic products, among others. The medium tech category aggregates, for instance, automotive products, chemicals, engines, machinery, synthetic fibres and watches. Examples for high tech industries are electronics and electrical products, office/ telecom equipment, TVs, power generation, optical instruments, pharmaceuticals, etc. Miscellaneous is a residual which encompasses primary products, resource-based manufactures, and other transactions. One can argue about the classification of certain sub-industries, but the broad picture emerges nevertheless quite clearly: over the period 1996 to 2004 we see a process of convergence.

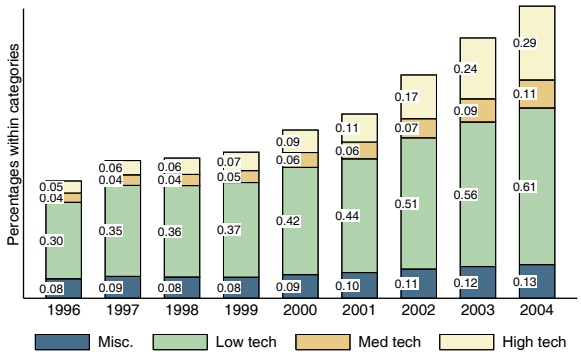


Source: OECD International Trade By Commodity Statistics, own calculations. Industrialized Countries (IC) include United States, EU-15 (extra-EU trade), Switzerland, Japan, Australia and New Zealand.

Graph 2: *China's and major industrialized countries' total exports, by technology level*

High and medium tech exports together were 33% in 1996 for China as compared to 65.4% for the reference group of highly developed industrialised countries. In 2004 the difference has markedly shrunk: 53.5% for China and 66.5% for the reference group. Whereas the structure for the industrialised countries remained remarkably stable over the entire period, we witness strong shifts in the composition of China's exports. The high tech group increased its share from 15% to 31.9%, and medium tech exports increased from 18 to 21.5% of Chinese exports.

Because total Chinese exports grew at a much stronger pace than the reference group, the above numbers even underestimate the change on world markets. The growth rate of Chinese exports of high and medium tech products in particular strongly exceeded world market growth. Graph 3 combines both aspects. It shows, within alternative technology levels, the percentage of Chinese exports in those of the reference group of industrialised countries. China's strong export performance translates into a rising share at all technology levels, but the increase is biased towards the high end product groups. While in 1996 high technology exports from China constituted 5% of the reference group's high tech exports, that share increased to 29% in 2004. China's corresponding share for medium technology industries rose from 4% to 11%. Despite the manifold increase at the high tech end, it is equally noteworthy that the percentage of China's low tech exports doubled, from 30% to 61%. These are very remarkable shifts on world markets!

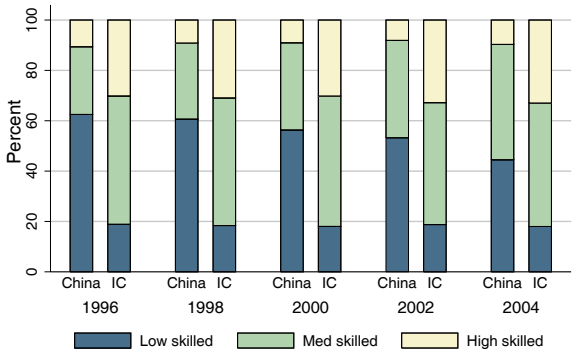


Source: OECD International Trade By Commodity Statistics, own calculations. Countries include P.R. China, United States, EU-15 (extra-EU trade), Switzerland, Japan, Australia, New Zealand.

Graph 3: China's exports as percentage of major industrialized countries' exports, by technology level

Graphs 2 and 3 follow an industry classification which is commonly shared but which is arbitrary. To control for a resulting bias we calculated the export structures according to level of skill embodied in exports. Based on a detailed industry study for the United States which calculated average hourly wages for a large set of industries we defined as high skill industries those with an hourly average wage above 15 dollars. Medium skill industries had average hourly wages between 10 - 15 dollars, and industries with an average hourly wage below 10 dollars were classified as low skilled. Based on this classification we calculated again export structures for China and the reference group of highly developed industrialised countries (graph 4). Again, the reference group shows a remarkably stable pattern with a slight increase

of high skill industries at the cost of medium skill activities. China on the other hand has increased medium skill exports from 26.9% in 1996 to 45.8% in 2004, and witnessed a corresponding fall in the export share of low skill industries from 62.5% to 44.5%. Again, a very remarkable development.



Source: OECD International Trade By Commodity Statistics, own calculations. Industrialized Countries (IC) include United States, EU-15 (extra-EU trade), Switzerland, Japan, Australia and New Zealand.

Graph 4: China's and major industrialized countries' total exports, by skill content

Foreign R&D Investments

Foreign multinationals invest increasingly in Chinese R&D facilities. This is the best proof of their expectation that China has become, or will develop into, an important knowledge-driven production and export platform. Shanghai is particularly well placed. In 2006, 26 new foreign-funded R&D centres were established, pushing the city's total to close to 200 foreign owned research sites. Companies that have set up R&D centres in Shanghai include, for instance, Unilever, Novartis, Delphi, General Electric, Dupont, or Roche. For instance, Delphi's 50 million dollars research centre is staffed by some 1,400 people who design and develop various kinds of automotive components. Chipmaker AMD's Shanghai centre, set up in 2006, is the company's largest system design hub outside of the U.S. and focuses on AMD's next-generation mobile platforms.

But foreign R&D investments are not restricted to Shanghai. In 1995 already, Microsoft established its first R&D centre in Beijing. Microsoft has also partnered with leading universities to set up research and training cooperation activities. Recently, Siemens announced to invest USD 100 million to promote its Beijing R&D centre. Other provinces are stepping up their efforts, too. Guangzhou launched a number of R&D projects, including Intel, Microsoft China and IBM. Nokia's sixth R&D centre is located at Chengdu, province of Sichuan, where researchers develop applications for mobile 3G infrastructure. This is only a sketchy snapshot of a broad based trend which will reinforce high tech and high skill exports, as outlined in the previous paragraph. We will see an even stronger convergence of China's export structure to the one of leading industrialised countries in the future.

What are the implications for global competition? First and foremost, with China as a major player in high tech and high skills industries, competition will become fiercer in these sectors of traditional comparative advantage of OECD countries. One of the major questions will be whether Chinese firms will become technology leaders of the future. At the moment, China has become an important research area, but the main drivers are still foreign multinationals located in China. While foreign firms transfer more and more R&D activities to China, knowledge and innovation are still slow in trickling down to domestic enterprises. The IT sector is a case in point. Although domestic firms now file more than half of total patent applications, the quality of those patents lags behind foreign patents. The vast majority of the IT sector's core technologies are still held by foreign firms. The dynamics of global competition would certainly change dramatically once domestic

firms from China (or other emerging economies) have gained technological leadership over their rivals from industrialised countries. Increased R&D activities in China provide a fertile ground for such a development, but only the future can show where the trajectory goes.

What is the correct trade policy response to these shifts in world trade? Protectionism certainly is not. High tech and high skill industries are characterised by strong product differentiation with a high component of intellectual property. In such an environment, large markets and competition are the main drivers for success. OECD countries should not protect their markets but they have good arguments for putting high pressure on China (and other emerging economies) to open their markets and respect intellectual property rights. An open world market for high tech industries is the best guarantee for strong economic growth of all partners. In such a world, the substantial participation of China in trade for highly sophisticated products, and therefore a further strengthening of the trends we have highlighted in this short note, is to be welcomed.

1. *These Six East Asian traders are: Hong Kong, China; Malaysia; Republic of Korea; Singapore; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Taipei, Chinese) and Thailand.*

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Foreign property speculators under fire

Surfing on house-price hikes and anticipating the yuan's revaluation, substantial overseas funds have been flowing into the property market over recent years, mainly in first-tier Chinese cities such as Shanghai and Beijing. Foreign investments take a reduced proportion of China's real estate market as it is estimated to account for about 15 per cent of the domestic market. However, the rapid increase of the proportion, combined with dramatic rises in prices in a handful of cities, has caused the Chinese government to become concerned about foreign investments in the real estate sector.

Photo By Harley Zhang

Restrictions on foreign real estate ownership

In an attempt to restrain soaring house prices and to discourage real estate speculation, the State Council (China's highest ruling body) approved, on 24 July 2006 the "Opinion on Standardizing Market Entry and Administration of Foreign Investment in the Real Estate Market" (the "Opinion"). The Opinion expresses concern that increased foreign investment in real property will further inflate the existing real estate market bubble.

The Opinion lists several provisions making it harder for foreigners to invest in Chinese property, including the following:

(a) ban on buying properties: Overseas entities which do not have a branch or representative office in China, and individuals who have worked or lived in China for less than a year, shall not be allowed to acquire properties in China;

(b) use of premises: Overseas entities that have a branch or representative office in China, or individuals who have worked or lived in China for more than a year may acquire properties for their own use and in their own name;

(c) the "Commercial presence" concept: Foreign entities and individuals intending to buy or invest in properties other than for self-use shall first establish a commercial presence in China through applying for the establishment of a foreign-invested enterprise in China pursuant to the relevant provisions governing foreign investment in the real estate sector, and may only engage in business operations within the verified business scope after having been duly approved and registered;

(d) total investment - registered capital ratio: For foreign-invested real estate enterprises with a total investment of over US$10 million, the registered capital shall account for no less than 50 per cent of the total investment amount;

(e) financing: Foreign-invested real estate enterprises whose registered capital has not been fully paid-up, or has not been issued a land use right certificate from the relevant Chinese authorities, or whose capital for the development of a project is less than 35 per cent of the total investment required for said project, shall be denied the right to apply for both domestic and foreign bank loans and shall not be eligible for settlement of foreign exchange debt; and

(f) regulating acquisitions: Foreign investors acquiring domestic real estate enterprises or purchasing the equity interest of Chinese partners in real estate joint venture companies shall make appropriate arrangements for settlement of staff compensation and bank debts. In addition, the purchase price for the acquisition of the equity interest shall be paid in full at one time using the purchaser's own funds.

The Opinion also mentions that local governments shall be prohibited from promulgating any preferential policy to foreign-invested real estate enterprises and orders the

repeal of existing preferential policies.

Property prices in Beijing, Shanghai and Guangzhou fell significantly over the course of the week following the promulgation of the Opinion, and as a sign moves to cool off speculation are having an impact. Sales volumes in these cities remained relatively low during the fourth quarter of 2006.

The tax weapon

Not satisfied with the macro-economic policies introduced by the Opinion, the Chinese government recently announced a raft of new tax measures applicable directly to property speculators, either foreign or national.

On 25 July 2006 the central government announced that it would enforce a 20 per cent capital gains tax on property sales, starting from 1 August 2006. The market for existing homes suddenly cooled off as a result of the application of this tax.

More recently, China's State Administration of Taxation ("SAT") issued a circular to tighten up

Photo By Harley Zhang

the Land Value Appreciation Taxation ("LVAT") administration starting from 1 February 2007. However, the LVAT reform is likely to take a hit on developers' profit margins rather than affecting buyers.

The potential levying of property tax, as recently proposed by several economists of the Monetary Policy Committee under the People's Bank of China ("PBC"), will undoubtedly be closely watched by foreign and local buyers in the coming months. These economists recommend that owners should pay an annual property tax based on the size of their houses. The levy of such property tax could drastically reduce the domestic demand for luxurious houses and limit speculation. It is notably believed that many investors would then be forced to give up the "buy to let" model. The PBC however indicated that there is currently no timetable for the enforcement of such policy.

Recent statistics demonstrate that the Chinese government's efforts to crack down on property speculation seem to have finally paid off. However, observers predict it will be difficult to deter investors, both foreign and national, to heavily invest in the Chinese property sector where the annual yield on investment can reach between 30 per cent and 50 per cent compared to less than 10 per cent in other developed countries.

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外国房地产投机者受到打击

Photo By Harley Zhang

近年来，房价一直在攀升，人民币汇率又面临再调整，吸引着海外资金大量涌入房地产市场，主要集中在中国的一级城市，如北京、上海。外资在中国房地产市场上的份额已经削减，据估计占国内市场份额的15%。但这个比例的迅速上升，加上个别城市房价的戏剧性上涨，中国政府开始对房地产行业中的外国资金紧张起来。

对房产外资所有的限制

为了抑制房价飙升、打击房地产投机，国务院(中国最高行政机关)于2006年7月24日批准了《关于规范房地产市场外资准入和管理的意见》(《意见》)。该《意见》表明，大量涌入中国房地产市场的外资会产生风险，导致已经形成的房地产泡沫进一步膨胀。

《意见》中的若干规定增加了外国人投资于中国房地产的难度，其中的此类规定包括：

(i) 禁止购买房地产：在中国没有设分支机构或代表处的境外机构，以及在中国工作或生活在1年以下的个人，不得在中国购买房地产；

(ii) 房产的使用：在中国设有分支机构或代表处的境外机构和在中国工作或生活超过1年的个人，只能以自己名义购买自用房产；

(iii) “商业存在”概念：境外机构和个人欲在中国购买或投资于非自用房产的，应先按照外商投资房地产的有关规定，申请设立外商投资企业，从而确立在中国的“商业存在”；经批准并登记后，只能按照核准的经营范围从事相关业务；

(iv) 注册资本与投资总额的比例：投资总额超过1000万美元的，注册资本不得低于投资总额的50%；

(v) 融资：外商投资房地产企业注册资本未全部缴付的，未取得《国有土地使用证》的，或开发项目资本金未达到项目投资总额35%的，不得办理境内、境外贷款，外汇管理部门不予批准该企业的外汇借款结汇；

(vi)并购管制：境外投资者通过股权转让及其他方式并购境内房地产企业，或收购合资企业中方股权的，须妥善安置职工、处理银行债务、并以自有资金一次性支付全部转让金。

Photo By Harley Zhang

《意见》还提到各地不得擅自出台对外商投资房地产企业的优惠政策，已经出台的要清理整顿并予以纠正。

此《意见》颁布后一周之内，北京、上海、广州的房产价格就下跌超过10%，这证明冷却房地产投机的举措是有效果的。这些城市2006年第四季度的房产销量还是相对低迷。

税收武器

不满足于《意见》所引进的宏观政策，中国政府最近宣布了一系列直接针对当地或国外的投机炒房者的税收新举措。

中央政府于2006年7月25日宣布，从2006年8月1日起将对房产买卖所得执行20%的资本利得税。因为开征此税，现有房交易市场骤然冷却。

更为近期，国家税务总局(SAT)发布了一个严格土地估价(LVAT)管理、于2007年2月1日生效的文件。然而，受土地估价改革极大影响的将是开发商的利润率，而非购房者。

最近中国人民银行(PBC)的货币政策委员会的几个经济学家提出应当征收物业税，这在今后几个月无疑会引起中外购房者的紧密关注。这些经济学家建议房屋所有者应当每年按照房屋的面积支付物业税。征收此等物业税将急剧降低国内豪华住房的需求、限制投机炒房。有理由预测，很多投资者到时将会被迫放弃“先买后租”的模式。不过中国人民银行表示，还没有将此政策的实施提上日程。

近期数据显示，中国政府打击房地产投机的努力已见成效。不过，观察家们预测，欲阻止中外投资者大量投资于房地产行业还是很困难，因为投资于该产业的年利润率可达30%到50%，相比之下，其它发达国家的房地产投资回报率却不超过10%。

Watch every step when crossing the River

(Deng Xiao Ping)

10 The CEO Interview
总裁访谈录
Mr. Felix Aepli
CEO Asia Pacific of Geberit

Mr. Felix Aepli,
CEO Asia Pacific of Geberit

This will be your fifth year for Geberit in China and Asia. How did the company evolve during this time and what was the biggest surprise?

Geberit has learned its lessons in the problematic time with the two JVs and all related consequences (staff problems, corruption, government disputes, etc.). When I started with Geberit in 2002 our production sites were just taken over as wholly owned companies. This allowed us to start properly develop for the future according to our own interests. We coordinated all activities under one roof, changed most of the processes, carefully and patiently developed our local key staff and could so start to explore our full potential. We have since then turned a loss-making adventure into a profit making power-house with a harmonized production. On this stable fundament our local sales organization is now also gaining rapidly speed.

The biggest surprise was probably the development of our factory in Daishan. Daishan is an island 70 km off the coast between Shanghai and Ningbo. The JV-location on this island was originally a logistical and managerial nightmare but turned later out to be strategically excellent. Thanks to huge infrastructure investments from Shanghai Government and its neighboring province Zhe Jiang, our Daishan factory is nowadays relatively easy accessible and in very short distance to the new Shanghai deep-sea port. In addition, Daishan with its 70'000 inhabitants provides us, being the only international investor there, with a qualified and loyal local workforce which is not permanently under the labor-market pressure as we see it in Shanghai. The people on Daishan have a good life in a widely intact environment and appreciate stable jobs and long-term views.

What is your future strategy in China?

China is an important part of Geberit's global future strategy. Still, as we have learned, ***things can change fast here*** and we therefore try to minimize our risks. We have a three pillar strategy that divides our output as following: one third for China, one third for the rest of Asia and one third for our overseas markets. This gives us some degree of stability and continuity for the future.

We plan to produce about 80% of our output in Daishan, whereby our location in Shanghai will primarily focus on R&D, training, logistics, services and sales/ administrative tasks.

Our outlook for the future is very positive and we foresee to triple our production output by 2010!

What are the key success factors for Geberit's engagement in China?

It is important that the step to China is a strong and long term commitment from the whole group. The support of our head office in Jona, Switzerland is necessary and in this regard, one should see China as an addition rather than a competition of the traditional markets and locations. We enjoy strong direct support and involvement of our group CEO which is of crucial importance.

For a mid-sized company like Geberit it is important to have clear profit targets and not to over-invest. Otherwise, China could turn out into a really expensive adventure.

To have fully owned companies instead of JVs is another key point that I consider as important. Except for a few cases, JVs often bear too many complications that can't be offset by the benefits. In addition to the legal entity of the company, the risks can be reduced by know-how distribution on two different sites

Finally, ***a balanced management team with young local high quality managers and experienced international experts is indispensable.*** A long term commitment of the expatriates is important as it takes a lot of time to understand the various processes

Strategically excellent production locations

in a company in a place like China and in particular the cultural issues, which are always again ignored or underestimated by many companies.

Do you think that China will remain a competitive production base in the future?

I see a very bright future for China as a production base. A lot of factors that affect the attractiveness of a location are improving. In China and especially in the Shanghai area many industries are expanding and we can profit from a growing number of qualified sub-suppliers. Today we can source most of our components locally and save a lot of costs.

We work in a technical field and have to fulfill our group standards 100%. This means the products form our factories in China must be as good as the ones from Switzerland,

Germany or elsewhere. To have the right know-how and infrastructure is therefore the most important part and China offers great possibilities in this respect combined with the high dedication and motivation of our local staff.

The improving situation of the legal system and the enhanced enforcement of law and order are also very positive. It gives us the needed security for any investment.

Of course there are also some problematic developments. ***The labor market is getting out of balance.*** The salaries for qualified local managers are exploding, while salaries for unskilled workers remain quite constant at a low level. I think this trend could continue for some years and bears a social problem in the long run.

What major challenges do you expect in the future?

We will have to keep an eye on our Chinese competitors. Most of them are former partners, or suppliers or staff and have learned a lot from us. Their quality is improving fast and they are not shy to use aggressive sales methods. Especially in the construction business where corruption is an ever existing reality still existing, they might gain some advantages against an international player like us who is following the rules.

For us it is clear that we can not tolerate such practices and therefore must stand out with superior quality, innovations, reliability and service. We invest in R&D to adapt our products to the local needs and also put a lot of effort in the training of our staff to further strengthen our position in China.

Mr. Felix Aepli *studied economics at the University of Applied Sciences in St.Gallen. He gained additional professional training at the IMD in Lausanne and at the Columbia University Business School in New York. He held several management assignments in Switzerland and Asia and joined Geberit in 2002 where he was assigned as CEO Asia-Pacific. Felix Aepli lives with his family in Shanghai.*

Geberit Worldwide:

Geberit was founded 1874 in Switzerland and looks back to more than 100 years of history. With its headquarter in Jona in the canton of St. Gallen, Geberit has been listed on SWX Swiss Exchange since 1999. The Geberit group has 17 production sites worldwide and operates sales offices in around 40 countries. In 2006, the Geberit group generated sales volume of CHF 2.2 billion and has worldwide 5,200 employees. With its advanced technology and support concept, Geberit offers integrated solutions for every application in sanitary technology, considering environmental protection and water savings.

Previously Interviewed:

- Kuno Kohler, Ciba SC
- Josef Mueller, Nestle
- Laurent Gimenez and Alexander Gapp, Hilti
- Karl M. Lang, Mettler Toledo
- Andreas Tschirky, Roche
- Daniel Fink, Georg Fischer
- Frederick Spoke, Victorinox
- Martin Ganz, Breguet
- H. Brunner, J. Shelley, Coutts

摸着石头过河

--邓小平

10 The CEO Interview
总裁访谈录
Mr. Mr. Felix Aepli
CEO Asia Pacific of Geberit

Mr. Felix Aepli,
CEO Asia Pacific of Geberit

吉博力于1996年进驻中国，先后成立了两家合资企业，生产基地分别位于上海和浙江省的岱山县。但到后来，两家合资企业的管理出现了危机，发生一系列问题之后，吉博力最终分别于1999年和2001年收购了这两家合资企业。2002年，Felix Aepli作为亚太区首席执行官加盟吉博力，自此吉博力在中国的生产基地开始扭亏为盈，成为盈利性的成功实体。

今年已经是您供职于吉博力中国和亚太区的第五个年头了，在这五年中，吉博力公司是如何发展的呢？最让您感到惊讶的又是什么呢？

吉博力已从这两家合资企业的困难时期和所有相关的后果（员工问题、贪污腐败、政府纠纷等）中吸取了教训。2002年我加盟吉博力时，我们的生产基地刚刚被接管为独资公司。这样我们就可以根据自己的利益需求着手未来的合理开发。我们可以在同一个公司的名义下协调所有业务活动，变更大多数流程，谨慎而有耐心地培养我们的本地核心员工，从而开始充分发挥我们的潜力。自那时起，我们便将一家亏损企业扭转成一个生产协调有序的盈利性实体。在这个稳健的基础上，我们的本地销售部门现在也发展迅猛，蒸蒸日上。

最让我感到惊讶的可能要数岱山工厂的发展了。岱山是上海与宁波之间的一个岛屿，离海岸仅70公里。合资企业选址在这个小岛上，起初对物流和管理来说简直是一场噩梦，但后来却得天独厚，占尽优势。凭借上海市政府及其邻省浙江在基础设施方面的大力投资，目前，我们的岱山工厂交通相对便利，离新上海深海港的距离也很近。此外，岱山拥有七万居住人口，为我们这个当地唯一的国际投资者提供了优质而又忠诚的本地劳动力资源，这在上海劳动力市场的压力下是很难长期保证的。岱山人民在一个广大而又完整的环境下幸福地生活着，向往稳定的工作，又有其长远的眼光。

您在中国的未来战略如何？

中国是吉博力全球未来战略一个至关重要的部分。然而，正如我们之前所吸取的教训那样，***在中国，计划没有变化快***，因此我们尝试着将我们的风险尽可能地最小化。我们拥有一个三大支柱战略，将我们的产出分成以下三部分：三分之一提供给中国，三分之一提供给亚洲其他地区，另外三分之一则提供给海外市场。这样我们的未来发展就能够更加稳定持久。

我们计划在岱山完成约八成的产量，在上海的工厂则主要关注研发、培训、物流、服务和安全/行政方面的工作。

我们对未来前景相当看好，并预计能在2010年前将我们的产量翻三番！

您认为吉博力中国业务的关键成功因素是什么呢？

进驻中国是整个吉博力集团的长期强大承诺，这一点至关重要。来自瑞士Jona总部的支持功不可没，而在这一方面，中国从传统市场和地理位置角度而言，与其说是竞争，倒不如说是一个良好的补充。吉博力集团的首席执行官也为我们提供了强大的直接支持与参与，这对我们而言是相当重要的。

对于吉博力这样一个中型的公司而言，拥有清晰明确的盈利目标，而又不过度投资，这一点也十分重要。否则，中国将变成一个相当昂贵的投资。

我认为另一个十分重要的关键点是拥有全资所有的公司而不是合资企业。除了一些特例之外，合资企业通常复杂重重，瑕不掩瑜。除了公司的法人实体之外，还可以通过两个不同基地的专知分布来降低风险。

最后，***一支平衡有素的管理团队（既拥有年轻有为的本地高素质经理，又不乏经验丰富的国际专家）是不可或缺的***。外籍移民的长期投入十分重要，因为在中国这样一个地方要理解公司的不同流程，需要花费

很多时间，特别是文化方面的问题，许多公司常常会忽视或者低估这一点。

您认为中国在未来还能保持其竞争性生产基地的地位吗？

我对中国作为生产基地的未来十分看好。很多影响选址吸引力的因素正在改善。在中国，特别是上海地区，许多工业正在不断扩张，而我们也可以得益于与日俱增的合格分供方。今天，我们能够从本地供应商处采购到大部分零部件，从而节约了大量成本。

我们从事技术领域的工作，因此必须100%地遵循我们的集团标准，这就意味着从我们中国工厂生产出来的产品应与瑞士、德国或其他地区生产出来的产品一样优质。因为，拥有正确的专知和基础设施，这一点最为重要，而中国在这一方面为我们提供了无限可能，本地员工的全情投入和昂扬斗志更助我们一臂之力。

法律体系的日渐完善以及法律法令执行力度的巩固加强也十分积极有效，为我们在所有方面的投资提供了必要的保障。

当然同时也存在着一些有问题的发展。***劳动力市场日渐失衡。***符合资质的本地经理薪水不断上涨，而技能不熟练的操作工人的薪资却始终保持在较低水平。我认为这一趋势可能会持续数年，并带来长期的社会问题。

您认为未来所面临的重大挑战是什么？

我们需要密切关注我们的中国竞争对手，他们大部分是我们之前的合作伙伴、供应商或员工，并从我们这里学到了很多东西。他们的质量迅速提升，并且敢于采用比较激进的销售模式。特别是在贪污腐败依然盛行的建筑行业，对我们这样遵守行业规则的国际企业来说，他们明显占据着一定的优势。

而从我们自身而言，显而易见，我们无法容忍这样的行业惯例，因此必须凭借我们卓越的质量、创新、可靠性和服务来脱颖而出。我们在研发领域投入资金，改进我们的产品以满足本地需求，并不遗余力地培训我们的员工，从而进一步巩固我们在中国市场的地位。

Felix Aepli *毕业于圣加仑应用科技大学，就读经济学专业，并在洛桑国际管理学院和纽约哥伦比亚大学商学院接受过专业培训。Felix Aepli曾在瑞士和亚洲地区主持过数个管理项目，并于2002年加盟吉博力，出任亚太区首席执行官。Felix Aepli与其家人现居住于上海。*

吉博力全球：

吉博力于1874年始建于瑞士，其历史已逾百年。总部位于圣加仑州Jona，吉博力自1999年起便在瑞士证券交易所上市。吉博力集团在全球范围内拥有17个生产基地，并在40多个国家设有销售办事处。2006年，吉博力集团销售额达到22亿瑞士法郎，并在全球拥有5,200名员工。凭借其先进的技术和经营理念，吉博力为清洁卫生技术、环境保护以及节水等领域的各项应用提供一体化的解决方案。

THE REGUS GROUP OPENS ITS LARGEST CENTRE IN THE WORLD IN SHANGHAI, CHINA
雷格斯集团在中国上海开设其全球最大的中心

Regus more than doubles its office network in China to over 34,000 m^2
雷格斯在中国提供的服务式办公空间增加一倍多达到3.4万平米

The world's largest workplace solutions company, Regus, announced the opening of its largest centre in the world with its sixth center in Shanghai.
全球最大的办公场地方案提供商雷格斯宣布在上海开设第六家中心，这也是其在全球开设的最大规模的商务中心。

The new centre, Silver Centre, is a 17-storey A Grade building with 13,700 m2 total gross floor area, offers a range of workspace options, a fully equipped conference centre and ground floor retail outlets. It is located in the large Putuo District, a 5 minute taxi ride to the prestigious Nanjing Road West CBD, famous for business, designer shops, luxury hotels and serviced apartments.
新开设的银座企业中心是一座17层甲级写字楼，总楼层面积为13700平方米，可提供多种办公室选择和配置齐备的会议中心，底层设有商铺。该大厦座落于普陀区，距离闻名的南京西路CBD仅5分钟车程，这里以各种商业设施、名店、豪华酒店和服务式公寓著称。

The workspace options in Silver Centre range from 10 m^2 to 5000 m^2, clients can choose from Regus fully equipped and staffed offices for branch offices and business start-ups or Regus Managed Suites. Managed Suites give clients the option of renting large amounts of furnished space for longer terms with their own entrance and corporate identity.
银座企业中心的办公室从10平米到5000平米不等。客户可以选择雷格斯全配置服务式办公室作为分公司办公地点或新公司筹备处，也可以选择雷格斯管理式办公套房。管理式办公套房可以为客户提供大面积全配置办公室的长期租赁选择，并可拥有自己的入口和公司形象标识。

"We are seeing a period of rapid growth for property outsourcing in the Asia Pacific region as an increasing number of organisations look to more effectively manage their business risk, maximise their financial resources and increase their flexibility," said Mr Thierry Moschetti, Country Manager of Regus Greater China.
"我们看到物业外包在亚太区正快速增长，因为越来越多的企业都需要更加有效地管理他们的经营风险，并最大限度地利用财政资源，并增加企业的灵活性。"雷格斯中华区总经理Thierry Moschetti先生说。

Regus has 8,750 m2 of Managed Suites at Silver Centre, across 12 floors. Compared to the fully serviced office option, Managed Suites give clients the opportunity to customize their workspace without the costs of fit-out, cabling, PABX and operation costs such as repairs, insurance, security, maintenance. Reception services are provided in the building lobby by highly trained bilingual staff.
银座企业中心设有8750平米的管理式办公套房，分布于12个楼层。与服务式办公室相比，管理式办公套房可以使客户按照个性化需求设计办公空间，而且无需支付装修、布线、交换机和其它日常费用如维修、保险、安全、维护等。在大厦的大堂内还有训练有素的双语工作人员提供前台接待服务。

In the same building, Regus has a business centre on the top three floors, with state-of-the art technology and professionally trained administrative and IT personnel to run the centre. A Conference Centre takes up the whole of one level with capacity for up to 300 people for meetings, conferences or training sessions and a restaurant with seating for 80 people.
雷格斯在大厦最高的3层还设有商务中心，这里不仅有领先的科技，还有专业的行政和IT人员提供日常服务。大厦内还有整层的会议中心，可容纳300人的会议、报告会或培训项目，并有可供80人就餐的餐厅。

Call: (86 21) 6149 8008
Visit: www.regus.cn/sc

Regus

Asian economic outlook remains sound

2006 was another vintage year for Asia – both in terms of financial markets performance and economic terms. As the growth momentum of the global economy has peaked, Asia faces a similar fate and we see lower growth rates ahead. For 2007, we expect a slightly rougher environment but do not think the current US economic slowdown will derail Asia's economy. Positive fundamental drivers for regional equity and bond markets remain, though performance should be more modest than in 2006. The revaluation of Asian currencies should continue this year.

Photo By Harley Zhang

China to slow its pace

In 2006, China's GDP grew a staggering 10.7% on average, and with its size of about 40% of the overall Asia ex-Japan economy, it was and will be the region's engine. This high growth comes despite the Chinese authorities' introduction of measures like interest rate hikes and higher reserve requirements for banks in order to prevent a possible overheating of the economy. These measures will carry their effects into 2007 and with the US economy posting lower growth rates, export growth should slow. We expect China's GDP growth for 2007 to slow to 9.1%. Nevertheless, this is but a small speed bump.

India gains weight

Over the past two decades, a third economic giant has been emerging in Asia after Japan and China. India has surprised with steady accelerating growth rates. India's export ratio (exports to GDP) has doubled in the past 15 years. The government aims to intensify foreign trade through free trade agreements and the introduction of special economic zones (SEZ). Indian growth has become much less volatile, as the Indian business cycle is less dependent on agriculture than it used to be and growth is therefore less influenced by the weather. The short- and medium-term outlook for India remains bright. Given excessive credit growth and rising inflation, we anticipate tighter monetary conditions, but expect growth to slow only a little to around 7.5% in fiscal year 2007.

Asian economic decoupling still premature

For most Asian economies, we forecast a similar pattern, i.e., a growth slowdown from the current levels. This brings us to the question of whether the aggregate Asian economy can decouple from the business cycle of the western world. In our view, an Asian decoupling is still premature even if an upswing in Asian domestic demand in the next year or two should somewhat compensate for the global growth slowdown. Although growing fast, Asia accounts for only 22% of the world's GDP and contributes about 30% to global GDP growth. Given high export exposure, the region is, economically speaking, still too small to decouple. Furthermore, with the exception of India, Asian economies are running high current accounts, reflecting their high dependency on external demand. Once this demand fades, a slowdown in the economic growth of the Asian region will follow.

Asian currencies to continue their run

High surpluses in the current account can be indications for an undervaluation of a countries' currency. Asian currencies appreciated significantly versus the USD in 2006. However, on a trade-weighted basis, Asian currencies did not gain substantially when compared to the EUR. In fact, it was only the Thai bath that gained also against the strong EUR, which led to the introduction of capital controls in December. Asian currencies remain undervalued, in our view, and central banks have been keeping exchange rates artificially low by accumulating massive foreign exchange reserves. Despite the steady appreciation of the renminbi against the greenback, the Chinese current account surplus increased in 2006. With these imbalances persisting and pre-Asian crisis exchange rate levels not returning anytime soon, we believe Asian currencies will continue to appreciate versus the greenback. Once the USD weakness runs out, they should also appreciate against the EUR in mid-2007.

Spillover political risks remain

Political risks were an important determinant in 2006. They include North Korea's nuclear test, Thailand's military coup and the Philippine state of emergency, just to name a few. We expect less political turmoil in 2007, but many of last year's surprises will continue to be sources of uncertainty. While the economic outlook certainly matters for financial markets in Asia, with many parliamentary and presidential elections in 2007, investors attracted by Asia's potential should not neglect the political factor.

Thomas Kaegi
Economist
UBS Wealth Management Research

亚洲经济前景依然稳健

2006年对亚洲而言又是丰收的一年 – 包括金融市场的表现及经济层面皆是如此。但随着全球经济增长动能已见顶，亚洲也将面临类似的景况且我们预期未来经济增长将放缓。展望2007年，我们预期大环境将略为转差，但当前美国经济放缓将不至于拖垮亚洲经济。亚洲区域股票及债券市场的基本情势依然良好，但表现应会较2006年略显逊色。亚洲货币升值的趋势应有望于今年持续。

中国经济增长步伐将放缓

在2006年，中国国内生产总值(GDP)平均增长率高达 10.7%且占整体亚洲(不含日本)经济规模约40%。中国一直是且将仍是支撑亚洲区域增长的引擎。尽管中国当局为了防范经济的可能过热而推出一系列宏观调控措施诸如加息及调升银行存款准备金率，但经济依然高度增长。这些调控措施的影响力将持续至2007年，且美国经济增长放缓应会导致中国出口增长减弱。我们预期2007年中国GDP增长率将减缓至9.1%。但这只不过是小幅减速。

印度正在崛起

继日本及中国之后，亚洲的第三个经济巨人已于过往二十年间崛起。印度经济意外地以稳健加速的步伐增长。印度的出口占其 GDP的比例已于过往15年间倍增。政府当局一直努力透过自由贸易协议及设立特别经济区的方式来促进贸易。印度经济增长的波动已明显下降，反映印度景气周期已不再如以往那么依赖农业且经济增长也因而较不受气候之影响。印度的短期及中期前景依然亮丽。鉴于信贷增长过速及通货膨胀上升，我们预期印度的货币政策将趋于紧缩，但2007财政年度经济增长预料仅将略为放缓至约7.5%。

亚洲经济尚无法完全摆脱美国放缓之影响

对多数亚洲经济体而言，我们预测情况也将类似，亦即，经济增长将较目前放缓。这不禁令人想问：整体亚洲经济是否能与西方世界的景气周期脱钩？我们认为即使未来一或两年亚洲内需走扬应可略为弥补全球经济增长放缓之冲击，但亚洲尚无法完全不受影响。亚洲经济虽然快速增长，但只占全世界GDP的22%且对全球GDP增长率的贡献约30%。由于亚洲的对外依存度颇高，就经济上而言，该区域的规模仍太小而无法不受全球放缓之影响。再者，除了印度例外，亚洲各经济体普遍有高额的经常项目顺差，反映出它们高度依赖外在的需求。一旦此需求消退，亚洲区域的经济增长也将跟着放缓。

亚洲货币将维持升值趋势

庞大的经常项目顺差可解释为一国的货币被低估。在2006年，亚洲货币相对美元显著升值。但就贸易加权的基准而言，亚洲货币相对欧元并未真正升值。事实上，只有泰铢相对于强势的欧元呈现升值，这导致泰国于去年12月进行资本管制。我们认为亚洲货币依然被低估，而各国央行也透过累积庞大的外汇储备来表面上维持汇价于低水准。尽管人民币兑美元稳定升值，中国的经常项目于2006年呈现上升。在这些失衡现象持续存在及目前汇价距离亚洲金融危机前之水准仍有一段距离的情况下，我们预期亚洲货币相对美元将持续升值。一旦美元的弱势格局结束，亚洲货币在2007年中也应有望相对欧元升值。

政治面的风险依然存在

政治风险在2006年起着重大影响，包括北韩的核试、泰国的军事政变及菲律宾进入紧急状态，而这只是少数几例。在2007年，我们预期政治动荡事件将减少，但许多去年的意外事件仍具有不确定性。经济前景对亚洲金融市场肯定至关重要，但2007年许多国家将进行国会及总统选举，因此，对于看好亚洲潜力的投资者而言，不宜忽视政治因素之影响。

Thomas Kaegi
经济分析帅
瑞银财富管理研究部

Diligence & Opportunity
- the Secret for Success

Mrs. Yu Hailin

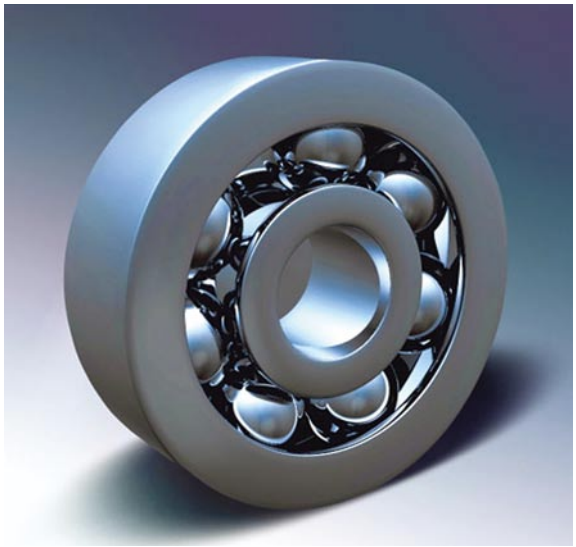
Please share with us your key factors of success as a leader of a private enterprise which focuses on manufacturing and exporting bearings?
Our secret for success can be described very simply by two key words: Diligence and opportunity.

What's the most distinctive difference between Chinese native and foreign customers when you cooperate with them?
Foreign customers have got more credibility and pay more attention to written documents. Generally speaking, foreign customers are more reliable, while native Chinese customers are more changeable and at their own will.

What are the major problems with your production in China and how do you encounter these problems?
The key problem we are facing now is the gap between the quality of our products and the top level ones in the world. In order to improve our products' quality we try to be innovative and improve our technology with manufacturing equipment. In addition, the training of our staff and management plays an important role as well.

What are the cost trends of production in China?
The cost trend is rising due to increasing qualified labor, raw materials and administrative expenses.

What's your view on the competitiveness of China as a production base in the future?
Despite of the rising trend of overall manufacturing cost in China, cost here is still lower compared with those of the developed countries. Moreover, China has trained up many qualified senior management people as well as core technicians since the reform and opening up.



How do you look into the future of Wuxi Haifeng Bearings Co,. Ltd in China?
Our output has tripled in the past five years and with China's economy growing at a rapid speed, more chances are still to come. Our quality is also becoming better and better and we make a lot of progress in our factory processes. Therefore, we see a promising future for our company and all stakeholders.

What's your impression of Switzerland? How is your relation with Swiss customers?
Switzerland is a beautiful and quiet country. We have been keeping a friendly relation with our customers there and think that our cooperation is very effective.

Info Box:
Mrs. Yu Hailin has been engaged for 40 years in the manufacturing of bearings. In 1986, she started to work at the Wuxi Miniature Bearing Plant. In 1987, Mrs. Yu Hailin took over the position of Vice Director in the Wuxi Yan Wei Bearings Factory. Finally, in 1995, Mrs. Yu Hailin set up Wuxi Haifeng Bearings Co,. Ltd. in partnership with Mr. Wang Shifeng.

Haifeng Hailin Precision Bearing Limited Company was founded in 1994. The company produces and markets deep-groove miniature ball bearing with the specification of high precision, low-noise, and long life. The company consists of Haifeng Hailin (Wuxi) Precision Bearing Limited Company, Haifeng Hailin (Huai' an) Precision Bearing Limited Company, and Haifeng Hailin (Hong Kong) Precision Bearing Company. The production capability of the company in 2007 is 90 million pieces per year.

勤奋和机遇 - 成功秘诀

俞海琳总经理

请俞总谈谈您作为一家制造并出口轴承的民营企业的领导人，成功的主要原因是什么?
机遇和勤奋

您在与中国本土客户和外国客户谈生意时，感觉两者最大的区别在哪里?
与外国客户合作时，诚信较好，比较注重书面文件。而与国内客户合作时，随意性太大。

贵公司在中国进行生产制造曾经遇到、当下面临的问题有哪些?您是如何面对这些问题的？
当前主要问题是产品质量与世界先进水平的差异。为了接近较高产品质量，我们必须不断进行工艺设备的技术改造和革新，同时进行员工和管理层的培训和学习。

中国的生产制造业的成本趋势是什么？
生产制造成本趋势逐步提高，因为原材料和人工成本，及管理费用不断提高。

您对中国作为未来生产基地的竞争优势看法如何？
尽管中国的总体成本在不断提高，但与发达国家比较起来，还是比较低。同时，改革开放以来，中国已培养并形成了一批高级管理人员和技术骨干。

您对无锡海峰在中国的发展将来是怎么看的？
前景广阔，越来越好。在过去的五年中，随着中国经济的快速发展，我公司的产量呈现三倍增长趋势。在面临越来越多机遇的同时，我们产品的质量和工艺流程也在不断提高。因此，我们看见对于自己、客户和合作伙伴的一个美好未来。

您对瑞士的印象如何？贵公司和瑞士的关系如何？
瑞士是一个美丽和安静的国家。我公司与瑞士客户多年来保持友好的合作关系。

（信息框内容）

俞海琳总经理从事轴承制造业至今已达40年之久。1986年开始工作于无锡微型轴承厂。1987年开始任无锡市堰微轴承厂副厂长。1995年开始与王世峰先生合伙成立无锡市海峰轴承有限公司。

海峰海林精密轴承有限公司成立于1994年。
公司制造和销售深沟球轴承。具有高精确性，低噪音和长寿命性。公司由海峰海林(无锡)精密轴承有限公司，海峰海林(淮安)精密轴承有限公司，以及海峰海林(香港)精密轴承有限公司组成。2007年公司的生产能力已达到年九千万件。

Your goal:
An AAA logistics solution.
Your route:
Our A license.

If you want to start doing business in China, your best approach is to rely on our extensive logistics capabilities. We have an A license that allows us to offer you single-source logistics solutions – between China and Switzerland but also to and from any other country.
As a strong partner, we're on location for you in Shanghai, Beijing, Dalian, Qingdao, Shenzhen, Tianjin, and Xiamen as well as Hong Kong and Taipei. With our own offices and agents around the world, we run an efficient global network that will meet your needs. To learn more about our first-class logistics solutions, our weekly LCL and FCL shipments by sea, or our air freight solutions, don't hesitate to contact us. Go-Trans Shanghai: info@sha.go-trans.com and www.go-trans.com. Gondrand Basel: info@gondrand.ch and www.gondrand.ch

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JESA Shanghai Trading Co., Ltd.

-Jesa's sourcing strategy in China

Bearings Industry

SUMMARY

JESA produces and sells specialty bearing solutions from its Swiss factory and standard bearings sourced out of China, for machines, tools, automobiles, equipment and furniture. This case explains JESA's sourcing strategy in China, focusing on:

- the purposes of JESA's sourcing in China
- the business set up for JESA's China trading and the solutions applied
- the factors that account for JESA's success in China

		B2B				B2C	
		Industrial Component	Industrial Equipment	Raw Material	Services	Consumer Goods	Services
Producing							
Purchasing	For own China operations						
	For mother company	JESA					
	For third party	JESA					
Selling	SOE						
	POE	JESA					
	FIE Global	JESA					
	FIE Local	JESA					

SOE -State-owned enterprises in China
POE -Private-ownd enterprises in China
FIE Global - Foreign-owned international enterprises with operations in China that are clients of Jesa in the global scale
FIE Local - Foreign-owned international enterprises with operations in China that are not clients of Jesa in the global scale

Figure 1: JESA's activities in China
Source: Swiss China Survey, 2005

GLOBAL INDUSTRY TRENDS and OUTLOOK

The global market for ball bearings has been going through an extensive consolidation which reduces the number of market participants. Production of standard ball bearings is expected to be concentrated among a few major players. As a result, smaller players focus on the specialized niche markets.

Region	2003 Sales volume (in USDbn)	Market share	Change in sales volume from 2002
North America	229.5	49.0%	+11.0%
Europe	115.4	25.0%	+8.0%
Japan	52.4	11.0%	+3.0%
Asia (excl. Japan), Africa and Australia	37.3	8.0%	+12.0%
Latin America	17.4	4.0%	+6.0%
Rest of Europe	14.3	3.0%	+14.0%

Figure 2: Accelerating growth trend of demand for bearings in the Asia Pacific region
Source: The Freedonia Group

Market consolidation

The ball bearing market is a major part of the general mechanical engineering industry which is currently going through a recession due to intensive price pressure and relocation of production activities to low-cost countries. The worldwide demand for bearings closely follows the general economic cycles and is projected to grow on average at 5.7% per annum to reach USD35bn in 2007. It is driven by increasing Original Equipment Manufacturers' (OEM's) output for bearing-consuming products, especially in developing regions. The table below shows the bearing demand growth in the Asia Pacific region.

Currently, the ball bearing market is dominated by a handful of large groups operating on a multinational basis, both market- and production-wise. The part of the market that is not served by the few big players' market (i.e. SKF, FAG/INA, NSK, Koyo Seiko, NTN, Timken, Torrington and NMB) is very fragmented. The mid-sized and smaller producers of ball bearings are spread out all over the world. They are expected to continue to find business opportunities in specific market niches.

The market for standard bearings as well as for bearings in specific versions or even special bearings in large volumes, like hubs for cars, is mainly serviced by the big bearing manufacturers, either directly or through

distributors. The market for specific versions of standard bearings in smaller quantities represents a small proportion of the overall market. It is serviced either by the big manufacturers with limited interest due to their lack of flexibility or by specialty distributors which either carry stocks or are able to modify standard bearings. Meanwhile, the market for special bearings in smaller quantities is serviced mainly by small manufacturers and a limited number of big producers.

In this complex and highly competitive market environment, the leading multinational bearing companies are struggling for market share and volume. Many rely on external growth through acquisitions of other bearing producers as a means to generate higher

sales volume. These acquisitions also enable these companies to enlarge their range of products for their customers.

Market size

The world bearing market is estimated to be worth about USD28.3bn with the following segmentations:

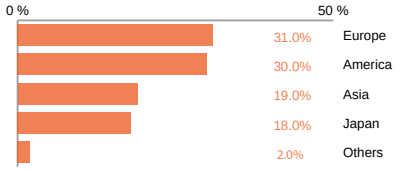

Figure 3: Product types

Source: JESA Shanghai

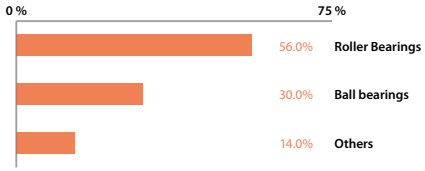

Figure 4: Geographic distribution

Source: JESA Shanghai

MOTHER COMPANY – JESA CH

Company background and current situation

JESA was founded in 1969 to produce ball bearings in Fribourg, Switzerland. It is now a member of the POLYGENA Group. Two production sites were active until 2004 — one in Fribourg (with 130 employees and currently the only production site) and one in Slovakia which was closed in 2004 after the China set up was completed.

Sales representatives are stationed in Switzerland, France, United Kingdom and Germany. The company's yearly turnover is about CHF45m (USD36m). JESA is certified ISO 9001:2000 compliant.

JESA began its trading activity in 1969 by purchasing and selling standard ball bearings from Japan. In 1995, JESA and Bosch agreed to source bearings from China at competitive costs with the aim of continuously developing quality. Bosch has remained an important customer of JESA. Other customers have also been developed over the years which utilize ball bearings from JESA's Chinese sources.

Product lines

JESA's product range is divided into four main families:

- special bearing solutions
- plastic over molded ball bearings
- ball bearings unit
- standard bearings.

The range varies from low margins, high-volume standardized bearings to customized special bearings for specific applications. Standard bearings customers are large companies that use them, for example, for power tools and escalators. Custom bearings are developed jointly with clients for the automotive industry as well as for other industries.

Geographical markets

JESA is selling its products in most European countries: Switzerland, Germany, France, the Netherlands, Italy, Great Britain, Slovakia and other East European countries.The company's long-term goal is to develop sales through a direct presence in other key markets.

Competitors and competitive advantage

The extensive consolidation of the ball bearing market in recent years has reduced the number of market participants to less than 200 firms which are involved in the manufacturing of ball bearings. In the years ahead, the global ball bearing market is expected to continue consolidating into a quasi oligopoly structure – consisting of only a small number of major multinationals based almost exclusively in developed countries.

Most of the leading bearing-producing multinationals are well diversified as they offer a wide range of products in addition to bearings for the automobile, aerospace or related industries. However, their ball bearing production has constantly accounted for a substantial part of their total operations. The chart below shows that the top companies account for more than three-quarters of the world bearings market.

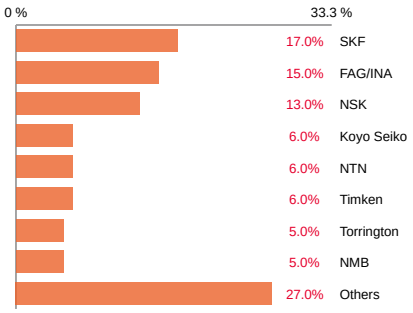

Figure 5: The top companies of the world's bearings market.

Source: JESA Shanghai

JESA differentiates itself from competitors by focusing on the following dimensions:

- customers' needs
- innovation
- technology
- precision engineering
- service

JESA's advantage is its specialty production of precise miniaturized bearings and plastic over-molded bearings. JESA China's access to low-cost production also generate a competitive advantage.

CHINA INDUSTRY TRENDS and OUTLOOK

Exported bearing from China during the first half of 2005

Through the first half of 2005, China reported that the country's bearing exports reached 1.24 billion sets, up by 18% over the same period of last year. The total value of all finished bearing and bearing component exports is reported as USD694.3m for the 1st and 2nd quarter of 2005, up by more than 38% from 2004. Since steel costs have been going up and the overall sales price level going down, margins of bearing manufacturers have certainly not increased. These figures clearly show that China is producing more and more sophisticated bearings, commanding higher prices per set.

The bearing production industry in China

Bearings factories in China can be categorized in three groups.

a) Small enterprises

There is a big quantity of small factories (employing not more than 200 people) and possibly many dozens that produce all possible types of bearings in China. These companies' organization level is poor and

the quality level can range from very low to acceptable. The bearing standard goes from rolled tracks with ball tracks ground and polished. They are mainly family-owned and either they produce for the local market or have some export activity through trading companies. Due to the very low cost level, they offer the lowest possible prices but stability of the process and quality of the products are not guaranteed.

b) Medium to big companies

This is a group of producers which have made significant progress in the last ten years. These companies have sold their products to organizations in China that produce for export or have already exported their bearings

for some years. Due to regular contact with demanding customers, the manufacturing and quality level of these companies have made significant improvements. All of these companies are ISO-certified — some through Chinese certification bodies and others through the likes of TUV i and SGS ii. The manufacturing capability of these companies is improving steadily while manpower is being gradually replaced with automated machines. These producers often copy Western manufacturing processes sometimes in ways that make little sense. The production equipment is normally of Chinese origin, completed with a few imported machines.

Their quality standard is normally quite satisfactory, especially since manufacturing processes involve stringent quality control (QC) steps. The raw material is produced locally with the exception of critical elements such as seals or special greases. The export activity of these medium to big companies is conducted through agents but some of them have set up their own sales organization in Western countries.

c) Subsidiaries of Western or Asean (i.e. Japan, Taiwan) bearing manufacturers

All major multinational bearing manufacturers (SKF, FAG, INA, NSK, NMB, etc.) have already set up at least one production base in China for the following reasons:

- to manufacture for global customers producing in China which require international group standards locally (mostly for the automotive industry)
- to have a cost-effective production base for exporting to the world market
- to produce for the growing demand of the local market

The production processes of these manufacturers is the same as in Western production sites. Although the machinery is usually not of the latest generation, it is made up of fully functional modern equipment. The quality standards of these subsidiaries mirror their respective mother companies'. The raw material is commonly imported with some local content. The tendency is to develop the quality of local raw materials and soon after, switch gradually to 100% local content.

JESA in CHINA

Subsidiary background and current situation

JESA China ("JESA CN") is a sourcing, trading and quality control subsidiary of JESA CH. It currently employs ten personnel.

JESA started its activities in China because Japanese bearing manufacturers became less and less competitive over the years. In order to keep its trading activity, JESA CH established a partnership with Chinese manufacturers in 1995. Purchases were done through a Chinese trading company (CMEC) who was dealing with six bearings factories in Wuxi (simply named W1 to W6 factories).

The yearly turnover made with ball bearings purchased in China currently accounts for one-third of JESA CH's total turnover.

JESA CN's activities are divided into two profit centers:

- Sales to JESA CH
- Direct sales to other customers, both local and foreign

The products delivered to JESA CH are used both as:

- finished products for re-selling to clients
- semi-finished products that need to go through additional production processes in JESA CH prior to selling

Business development has been very strong for JESA CN with sales expected to reach USD9.86m by the end of 2005, mainly to JESA CH. As a result, full return on investment is expected to be achieved only two years following the subsidiary's set up.

Motivation and market entry strategy

Development in China as well as in communication technology makes it easier today for JESA's clients to purchase directly from low-cost suppliers. In addition, some of JESA's large customers are setting up their own manufacturing subsidiaries in China and will no longer find the need to import what they can source locally. Without an operation in China, JESA would definitely lose business from its clients that are moving to China. Should the subsidiaries of these clients successfully source from China, in time, their

mother companies in Europe will certainly use the sourcing knowledge of their daughters in China and cease purchasing from JESA in Europe.

Through JESA's full knowledge of the sector in China and direct access to local producers, JESA's China subsidiary is able to obtain the best possible prices and ensure quality. There is also an opportunity for a local JESA entity to sell to international clients that JESA does not yet serve - for instance, the USA.

Due to the above reasons and the importance of its trading business (33% of total turnover), JESA decided to set up its own subsidiary in China. In so doing, it protects its trading activity by adding more value to its position in the supply chain (better prices and quality)

and by serving clients (in China and abroad) who want to purchase directly from China.

JESA CN activities are summarized in Figure 6 below.

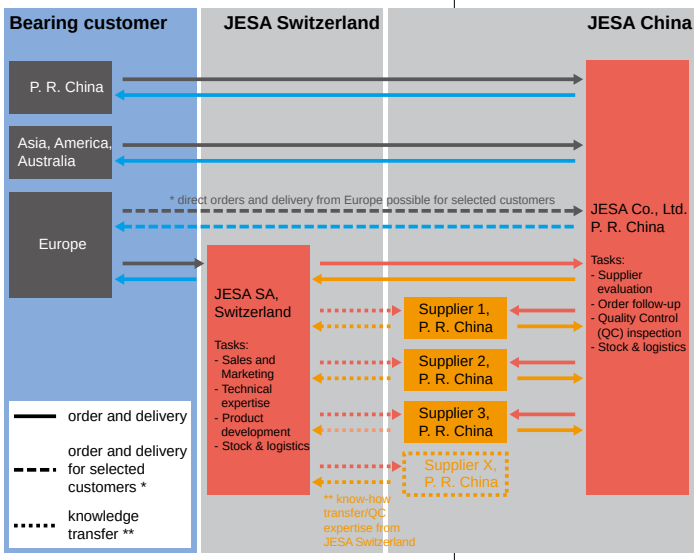

Figure 6: JESA CN activities / business model
Source: JESA Shanghai

In order to fulfill these needs and maintain continuity, after obtaining advice from China-based business professionals, JESA decided to set up a joint venture (JV) with its trading partner in China. This allowed the acquisition of the JESA business know-how in China, including the relationships with the W1 to W6 factories.

The negotiations for setting up the operation in China began in 2002 and operations officially started in 2003. JESA CN was set up in the duty free zone of Waigaoqiao in Pudong (foreign-invested trading enterprises are permitted to register in the Shanghai area only in the duty free zone at this time. JESA CN is an equity joint venture owned 70% by JESA CH, with a business scope that allows trading and services on goods traded. General Management of JESA CH is ensured by the local partner.

To maintain continuity and to handle return of value added tax (VAT) on export, the previous Chinese trading company, CMEC, was also retained albeit only as an export agent that effect payment to suppliers, export goods and collect returned VAT from the Chinese government (in the range of 13% of amounts exported). These services are rendered against a commission proportional to the capital needed involvement. Such activity is indeed capital intensive as VAT returns are made only within 6 to 18 months after export. Since operations began in Wuxi and Ningbo, a representative office of JESA CN was established in Wuxi where all the operations are conducted.

JESA responsibilities and the shutting down of the Slovak operation

After the successful set up of JESA CN, the group management decided to close its Slovak manufacturing operation. JESA Slovakia was lacking flexibility and was unable to match the low cost levels of China. A majority of the Slovak production was subsequently

outsourced to the Chinese suppliers of JESA CN.

The main responsibilities of JESA CN are:

- sourcing, selection of suppliers and supplier management
- handling of orders, technology improvement, quality control with suppliers and claims (bridging the language and culture gap)
- sales to direct clients (local and foreign)

At the beginning of the activity, the complete sales volume went through JESA CH - the geographic market being Western and Eastern Europe - where JESA CH provides technical and logistic support to end users. Today, when volume and products allow, administrative and logistic support for the customer is also transferred to JESA's Chinese operation.

Resolving conflict of interests between JV partners, business controlling and results

Considering that JESA CN is a joint venture, in which the minority partner functions as General Manager, the income scheme for the China operation has been set up in order to generate a common interest between Switzerland and China. Although JESA CN's interest would be to sell to JESA CH at highest possible price and JESA CH's is just the opposite, both entities are united by the general purpose of buying at lowest possible prices in China and selling at highest possible prices to final customers. As a result, the income sources for JESA CN are set as follows:

- Gross margin for sales to direct customers
  as high as possible
- Gross margin for sales to JESA CH
  a fixed % to cover JESA CN costs
- Participation of JESA CN in the gross margin of JESA CH trading
  a fixed low % to generate profit

Setting the gross margin of JESA CH at a level that will cover JESA CN's costs ensure JESA CH with the lowest prices, while the contribution to the gross margin offsets the disadvantage for JESA CN. In addition, the volumes that JESA CH brings to JESA CN make the relatively low contribution of JESA CH to the margin acceptable. Both JV partners have a mutual interest to sell from JESA CN to direct clients to as high prices as possible, in order to maximize profits. This is reliant on the skills of the local management and the market situation in China.

JESA CN is making use of a third party controlling organization in Shanghai to manage JESA CN's accounting procedures. This is to ensure adherence to the corporate governance principles against corruption. Indeed, there is a risk that JESA CN purchasing employees might take actions to draw personal benefits from the purchasing transactions.

Customers / market segment

JESA CN's major market orientation is export (local sales are made to those customers of JESA CH that need bearings for their Chinese operations). However, JESA CN's direct sales in China and markets where JESA CH is not active has remained minimal with just one large volume, low margin, client at the time of printing. Possible JESA customers with bases in China are:

- Bosch Group (28 joint ventures)
- Bobst (production unit in Shanghai)
- Schindler (production unit in Suzhou)
- Saia-Burgess (production unit in Shenzhen)

At a later stage, JESA CN plans to gradually

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develop its direct selling activities to other countries.

Local competitors and competitive advantages

There are a lot of local trading companies selling Chinese bearings in Western markets. Additionally, bearing producers have started exporting directly as well. The main advantage of JESA CN, in comparison to its local competitors, is its access to the European market. JESA CN differentiates by selling to market niches where a higher level of reliability, service and precision are required. The mother company's geographical and cultural closeness and her engineering skills translate into the capability to engineer customized, precision bearings for clients while producing them in China.

Suppliers becoming competitors, JESA CN in the value chain

With their quality level improved through years of JESA purchases and support, JESA CN suppliers are also increasingly expanding their own direct sales in Europe. A lower level of contact and service with European clients is increasingly becoming sufficient; thereby JESA CN suppliers or other Chinese bearing suppliers are more able to sell directly in the standard range. The technical and communication ability of Chinese suppliers is bound to grow. The day may come when the best and bigger ones will set up their own customer relations management offices in Europe and compete on JESA's niche.

For the long term, JESA is considering options to secure its position in the value chain in more aggressive ways by:

- improving its service level in Switzerland and China to serve increasingly demanding clients with products that require more sophistication in terms of both handling communication and technical abilities
- taking over the manufacturing processes in China which would ensure JESA technical superiority over Chinese suppliers and increase JESA's competitiveness

Location and legal environment

The choice of the location of JESA's subsidiary was influenced by two factors — the need to set up a foreign-invested trading company (only possible in Shanghai Waigaoqiao Free Trade Zone in the Yangtze Delta) and its local proximity to suppliers. This last factor also determined the establishment of the subsidiary's representative office in Wuxi.

From January 2005, and in accordance with WTO agreements, the Chinese government authorizes foreign-invested enterprises to set up trading and distribution companies outside of the Free Trade Zones all over the country. However, implementation policies have not been published so far, therefore, registration of such companies is granted on an experimental and case by case basis. JESA CN has the option to move its trading company's legal seat to Wuxi and will exercise it if such application does not generate too many and complex administrative efforts.

FACTORS FOR SUCCESS, RISKS and OPPORTUNITIES

Opportunities

Through its long relations with suppliers and its local operation, JESA has the opportunity to purchase technically complex products in China that others would need to purchase in Eastern or Western Europe. Moreover, its existing relationship with the Chinese suppliers and the relatively large volumes purchased from them should also enable JESA to lock them in its supply chain. JESA CN also provides the Group the opportunity to stay at the edge of new developments in China and to constantly evaluate the production market for new suppliers, new products and better prices.

Risks

The major risks for JESA's trading business rest in the development of the competition and in the forward integration of the Chinese suppliers. They may unavoidably become JESA's direct competitors; some of them may do so after benefiting from JESA's technical support and after having been introduced into the European market by JESA. This risk is increased by European companies that may try to purchase directly from China and even set up their own sourcing offices locally.

Success factors

- **Early start (Japan 1969; China 1995)**

This pioneering attitude has allowed JESA to build a strong supplier base and a proportionally important size of purchases along with them, while consistently offering customers competitive products from China at attractive prices. Overall, this has provided JESA with both customer and supplier interest and loyalty. In addition, it has created a tested working relationship with a Chinese trader and their managers who are now able to manage JESA's own set up in China without prior training.

- **Local support for strategy and business controlling**

Without support from a local expert, the joint venture set up may not have been successful as JESA was unaware of the possibilities and risks of a JV in China and a fortiori of how to translate common interests into a working cooperation. Of importance is also JESA's long-term strategy in China, for which local support is necessary in order to not depend only on JESA's Chinese partner for information and opinions. Unethical behavior from purchasing personnel entails the important risks of loose quality control and finally, disagreeable shipments. These, in turn, may result in the loss of important customers as well as considerable economic losses in the future. Local business controlling reduces the risks of JESA CN staff's improper behavior. Besides and on the financial side, it guarantees that constant attention is put into details which make JESA CN competitive. Indeed, in order to avoid having JESA's global clients sourcing directly from suppliers while maintaining a margin, it is essential that JESA CN purchases at a most competitive quality/price ratio and provides excellent service.

- **Efficient bridge between European clients and Chinese suppliers**

JESA's presence in China for purchases and in Switzerland to develop technical solutions with clients provides an efficient bridge to the technical and cultural gaps between Europe and China. JESA has been able to derive good value out of this expertise. This bridge, however, entails technical support to suppliers and pushes JESA to develop strategies to integrate its suppliers to prevent them from turning into JESA's competitors.

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Approved for publication on: September 2005

Notes

i *TUV - (TUV Rheinland Group) is a global leader in independent testing, certification and assessment services.*

ii *SGS - is one of the world's leading inspection, verification, testing and certification companies.*

China-India :

The great competition of the 21st century

When looking to China and India we must draw a line between the image and hard facts. Since one decade there is no doubt that China's weight on the world economy is rising in a spectacular manner. Curiously enough, since 2003 - to be precise - anybody looking at the future, when mentioning "China" adds "and India", as if the latter had dramatically changed in the past few years. Indeed the image has more changed than the reality. The acceleration of growth,started already in the 1980s .

Praises of both countries' are often more widespread in the West than inside the two countries. India has become a major world player in IT (information technology) and Business Process Outsourcing and a number of Indian companies are beginning to be involved worldwide in mergers and acquisitions. But its foreign trade and FDI (foreign direct investments) are still much behind China. In 2005, the merchandise foreign trade of India amounted to 240 billion $, versus : 1,420 billion $ for China. Total FDI disbursed since 1980 in China: 400 to 650 billion versus 50 billion in India. In 2005 China's GDP (foreign exchange parity) reached 2,200 billion $ versus 720 billion for India.

We must bear in mind that China is going through a new revolution involving practically all institutions, socio-economic - and even to some extent - political sectors, private life… whereas India is engaged only in a process of economic reforms, which makes the task of its leaders in a way easier than in China.

This paper focuses on human resources, decentralisation and infrastructure. One should however mention other very serious matters such as environment degradation which is even worse in China due to a faster growth. In both countries agriculture must be strengthened, as well as public health services including the control of AIDS. Under , what I call the economy of leakage and seepage, every year on both sides billions and billions of $ are lost through corruption, misallocation of public funds, poor collection of public revenue.

Human resources and R&D

Many Westerners dealing with China and India refer to endless reservoirs of talent, of highly qualified and cheap cadres. This is quite questionable.

In 1949, as a consequence of one century of wars and disturbances, China was quite behind India: 190,000 university students versus 330,000. The modern elites in business, education, administration were less numerous in China and many of them escaped to Hong Kong and Taiwan. Only a few thousands qualified cadres returned to China from the West. Many of them were after some years badly treated as "rightist". The old and the new universities were in turmoil from 1957 to 1960, then they were closed or on near collapse during the Cultural Revolution (1966-76). In addition, very few Chinese were trained abroad after the break with Soviet Union in 1960 (7,500 students and 38,000 engineers for advanced training 1950-60). As to the Indian universities, starting from a higher level, they expanded in a relatively smooth manner and large numbers of Indians received also higher education abroad. In 1980, the whole system of higher education had to be built or rebuilt and modernised in China. Large numbers of students went abroad while universities with or without foreign assistance began to modernize. As a result, new generations of Chinese, smart and highly qualified, have by now emerged in business,

education, health, administration. A number of ministers or high-ranking officers - not infrequently sons or relatives of old dignitaries - hold a PHD or a diploma from USA. Such people compete with Westerners as well as Indian elites.

Two difficulties remain, the first temporary and particular to China. The new elites belong to the first generation. They have few if any senior cadres behind them with a modern experience, unlike the situation in Western countries or India, where several generations have followed one another. This is one of the reasons why Françoise Lemoine, a French expert on China, when visiting several big Indian corporations, found them more advanced than Chinese firms, thanks to a longer experience in modern management and international business relations.

Second, the numbers of students - about 14.1 million in China, 10 million in India - are misleading. Some universities in Peking, Shanghai, possibly elsewhere have reached a high level like, in India the IIT (Indian Institutes of Technology), the top business schools, some faculties in universities. Yet, in both countries, many universities are mediocre with a poor staff, lack of equipment, overcrowded classes, corruption and political interferences. This explains the high number of educated unemployed in India and the same phenomenon has appeared in China. Out of 4 million graduates in 2006, 1 million may not find a job.

According to McKinsey's Quarter Report, 2005, no 4, out of 1.6 million Chinese engineers having at least 7 years of service, only 160,000 are qualified to join a multinational and 130,000 Indians out of 650,000. . According to McKinsey, in 10-15 years, China will need 75,000 managers "able to face a global environment". At the moment they are only 5,000. A consequence of these shortages is that professionals keep on changing jobs, attracted by a higher salary from another company.

The situation is also becoming tight in India. Many industrialists complain of the difficulty to hire and keep good cadres. Even in IT, India may face a shortfall of 500,000 professionals by 2010 (Financial Times, December 12, 2005).

Discussing the matter in Shanghai with some expatriates, I did not find them over concerned. New business schools are being opened often with foreign collaboration. Many firms organize in-training programmes t as is also done in India. One speaks in both countries of new universities and expansion of already existing ones, but here again, financial constraints for public funds will be more acute in India.

In spite of these arguments, risks of bottlenecks are obvious and, what is sure is that salaries of cadres will keep on increasing, leading to possible difficulties for FDI and local corporations.

Closely connected with these issues are R&D. The Chinese often complain - and rightly so - that the floods of FDI have produced but a limited transfer of know- how, especially from 100% financed foreign corporations. Among MNC there are debates. In France, for instance certain MNC remain very restrictive concerning transfers of know-how, whereas others do not care since they feel that in the near future they will proceed with new R&D.

In China the State devotes 1.3% of the GDP to R&D, i.e. 25-30 billion $ per year. About 700 R&D centers have been opened so far by MNC., but many of them are focussing on research adapted to the Chinese market, and not to world markets. In India the State budget is much lower: 1% of GDP, i.e. 7 billion $ per year. 100 MNC have also opened R&D centres. Research within Indian corporations is probably more prominent than in China as shown by many innovations in industries and IT. Here again we come across the longer experience of Indians referred to above.

"Chinese firms are still far from being globally competitive as the country' rocketing exports indicate". Foreign funded companies in 2005 accounted for 57% of total exports and 88% of total high-tech products. The same companies made 28.5% of total industrial value and supplied 20% of tax revenues. (China Daily, June 10, 2006). For the same reasons 66% of licences registered in China come from foreign companies and 48% of licences registered abroad come from inventions made in China under foreign control (Le Monde, June 16, 2006).

"The sky is high and the emperor is far away"

In the old days, the Chinese used to say "the sky is high and the emperor is far away" meaning that they were not over concerned with rather distant authorities. The issue remains relevant when looking at the pattern of development, not entirely new - there was some decentralization under Mao Zedong - but much broader thanks to Deng Xiaoping's new revolution: "a constant drive for administrative and fiscal decentralization shifted more and more functions and responsibilities to lower levels of government. Bureaucratic promotion became strictly dependent on market-based criteria of success." (S. Tenet "Why China grows from below" in Far Eastern economic review, Jan.-Feb. 2006). This policy leads to growing links between local authorities, Party members and enterprises. This goes along with an intense competition between

authorities in order to attract Chinese or foreign investments. At the same time, municipalities and districts have to rely more and more on their own resources through taxation.

This system has been a major factor of growth but the reverse of the coin is becoming a matter of serious concern. It encourages "blind investments" as criticized by central authorities, the neglect of economies of scale and of market capacities. As a result a large number of enterprises, big or medium, foreign or local operate with over capacity. Competition is so acute that profits are falling if not disappearing. A survey conducted by the National Bureau of Statistics of 200,000 companies in the manufacturing sector brought out combined losses of 15 billion $ for the first seven months of 2005, an increase of 55% on 2004 (Financial Times, December 12, 2005). From provinces to districts, authorities help their enterprises through "local protectionism", i.e. taxation or prohibition of goods from another province or even from another city, within the same province. For instance, in Shanghai most taxis are Volkswagen because the factory is there and in Wuhan, Citroën taxis dominate for the same reason.

Villages and districts have introduced all kinds of local taxes, often illegal and possibly ending in the pockets of cadres.

Many abuses occur in land sales to factories. The farmers receive only a fraction of the land value, the rest goes to the village authorities (the land belongs still to the village but the farmers have the right of use for 30 years). According to the Ministry of Land and Resources, in several places 60% of commercial land acquisitions had been unlawful in 2004 (China Daily, June 12, 2005). From official sources, the number of "public order disturbances" including bloody clashes between villagers and the police has increased from 10,000 in 1994 to 87,000 in 2005.

Typical is the case of small private coalmines. To save money, the owners do not respect the numerous security rules, so that in 2005, 5,900 miners died in accidents. In spite of constant condemnations in Peking, in the single month of May 2006, one accident was registered every day according to official sources (China Daily, May 27, 2006).

In Mao Zedong days, population movements were severely controlled. Today the rules have been relaxed so that there are 120 to 150 million rural migrants in cities. They play a major role in construction and also in garment and textile. Each city fixes minimum wages and working hours but the rules are often not respected because municipalities are more interested to attract enterprises than look after the welfare of the workers. One must however underline that these workers, unlike in India and in most other developing countries get a free summary accommodation arranged by the enterprise. "The problem is how to ensure that the policies are earnestly implemented", comments a scholar of the Academy of Social Sciences (China Daily, June 12, 2006). In 2005-06, several cities have raised their minimum wages because there has been a slow down of migrants, especially in Guangdong. How far and how long will such wages be respected?

Environment concern is rising with damages which could be equivalent to 10% of GDP per year. In spite of 26 laws and 50 regulations, according to the deputy chief of the State Environment Agency: "Some local governments are reluctant to implement the laws or are even sabotaging them", because they push "growth above all" (Government White Paper on Environment Protection, June 5, 2006). Other complaints concern health and education which are no more free and which in rural areas have severely deteriorated. Replying to criticisms during the session of the People's Congress in March 2006, the Vice-Minister of Education declared at the TV that " Government decisions do not always come out of Government buildings." Similar problems are widespread in banks, which for the last fifteen years have great difficulties to become more efficient and to reduce default loans, which would account for 35% of the total according to Standards & Poor. Connivances between banks, enterprises, party members explain this situation. The newly appointed chairman of the China Construction Bank, Guo Suging, a typical bright new cadre openly complained of Party members ill-founded interferences with loans (Financial Times, June 20, 2005).

The authorities are gradually introducing a legal and judicial system quasi non- existing in Mao's days. They must train judges, advocates, organise courts and pass plenty

of laws. In spite of some progress, there are many complaints, particularly on the public prosecution system, which should be financially independent of local government in order to check “abuse of power, dereliction of duty, police brutality, corruption…” Cases of torture are mentioned as well as people being declared innocent after many years in jail (see China Daily, May 28, 2005, August 5, 2005 and October 14, 2005).

Last but not least, comes what I call the economy of seepage and leakage (see below). Following Tienanmen in 1989, corruption has been repeatedly attacked with limited results. During a recent meeting of the Party, the President Wu Jintao declared: “Corruption is still widespread and there are indications of numerous cases of abuse of power… We must fight rotten ideas like the worship of money, hedonism and extreme individualism” (Le Monde, July 4, 2006).

Dilli hanauz dur ast (Delhi is still far away)

While much less known than the old Chinese saying, the remarks of Hazrat Nizamuddin Aulia, a Muslim holy man of the14th century: ”Dehli is still far away” convey the same meaning. Being in Delhi he had been warned that the Sultan, while in Bengal, had become very angry with him.

In spite of its institutions, its political and legal systems deeply rooted in the country, India is not immune to abuses and shortcomings. Typical is the non-respect of laws and regulations about environment in many places, while the damages and the losses for the economy are hardly less than in China. There have been bloody incidents in Orissa about private land taken away without proper compensation for mining projects. There are cases of bonded labour, child labour (see ILO, A Global Alliance against Forced Labour, Geneva, 2005), caste discriminations… One comes across lack of security, for instance in marble quarries in Rajasthan. Then come 150 districts out of 600 with pockets of leftist militants who, far from only caring for exploited people, indulge in terrorism.

According to the Elections Commission, a model organisation of integrity. In 2004, out of 403 legislators in Uttar Pradesh, 207 had a criminal record (India Today, January 1, 2004). In the present Lok Sabha, 100 MP out of 542 are also under investigation. In the more recent elections in West Bengal “One out five candidates has pending criminal cases.”

There are however big differences between both countries. In China when somebody publicly denounces precise abuses, which are condemned in general terms by the highest authorities, he can be in trouble and even jailed by the local authorities. Moreover, a new law is being adopted whereby media people could be fined if they reveal epidemics, natural calamities, industrial accidents, social troubles without the approval of the Ministry of Propaganda (Le Temps, June 29, 2006).

The total freedom of Indian media, a very active civil society, certain politicians and civil servants may provoke more reactions against abuses than in China. The killing of 12 adivasis (aborigines) in Orissa in police firing following land grab, led to such an uproar that the government of Orissa is revising its Resettlement & Rehabilitation Policy.

Criticisms of local authorities by higher authorities seem less frequent than in China but official references to corruption are quite common. The Planning Commission mentions in its Approach to the 11th Five Year Plan: ” Corruption is now seen to be endemic in all spheres and this problem needs to be addressed urgently” (p. 7). As to the Chief Justice of India, Y.K. Sabharwal, he declared at a meeting of Chief Ministers and Chiefs Justice that “The system of justice appears on the verge of collapse… no economy can succeed if the justice delivery is not speedy and efficient… and some of the responsibility will have to be shared by the executive“ (The Hindu, March 12, 2006).

Infrastructures

Infrastructures are crucial. In the mid-1990s and in the past few years, serious gaps appeared between, on one hand electricity and transport and on the other hand the rest of the Chinese economy. Today the situation is better than in India, thanks to massive public investments, although, as seen below, the achievements are not devoid of weaknesses. In India the gaps have been constant - if not worsening for electricity - for the past twenty-five years. According to a study by Morgan Stanley quoted in Business India, December 5, 2005, in 2003 for instance, China’s total investments in infrastructures amounted to 150 billion $ (10.5% of GDP) versus 21 billion for India. (3.5% of GDP). For 2005, respectively 201 billion $ and 28 billion.

It is beyond the scope of this paper to deal with all infrastructure issues. As it is well-known, water supply is becoming very acute in both countries. Urban infrastructures, though more advanced in China, need considerable improvements. Both countries are short of oil and gas… I am focusing here on transport and electricity, with some brief references to agriculture and some broader comments.

In the early 1950s, India was ahead of China for roads and railways thanks to the Pax Britannica, whereas China had gone through more than one century of turmoil and wars. For electricity both countries were at a similar very low level. Even small cities and most villages were relying on candles or oil lamps. Then differences narrowed down from the 1950s to the end of the 1970s, China even overtaking India for electricity generation.

Railways network km

	China	India
1952	24,000	53,600
1976	50,000	60,000
2005	74,000	63,500

Roads achievements have been spectacular from village roads to express ways. The construction of the latter started in the 1980s, reaching in 2005 40,000 km. They should increase to 80,000 km by 2020. Semi expressways (class I roads) should also increase their mileage. In spite of these achievements, senior road officials insist on various defects: "Policies are made by different organisations, responsibilities are overlapped, management is not powerful enough. There are weaknesses in construction going along corruption". The directors of provincial roads departments of Henan and Kweizhou have been condemned to life imprisonment as published in the media . One should add that one quarter of expressways have been poorly built.

Roads network km

	China	India
1952	126,000	400,000
1976	890,000	1,215,000
2005	2,400,000*	3,330,000**

* Includes 1.5 million km village roads, many of them non-surfaced.

**Surfaced roads: 1.4 million km. Non-surfaced: 1.1 million km. 830,000 km village poor roads.

Break up of roads (2005) km

	China	India
Express ways 4-6 lanes	40,000	200
Semi express ways 2-4 lanes	40,000	6,000 (4lanes only)

Airlines are no less expanding. The number of passengers has doubled between 2000 and 2005 to reach 138 million, a figure which is expected to double again in the next five years. Purchases of planes keeps on rising with 219 new Airbus last year. According to Boeing forecasts, China may need 2,600 more planes in the next twenty years (218 billion $). One must however add that only Air China makes profit and there is a growing shortage of qualified staff and pilotes.

Electricity

In the mid 1990s electricity supply was overtaken in China by the overall growth of the economy which led to severe losses: long power cuts hitting industries, low voltage, poor maintenance and losses in transmission and distribution including power thefts, too low prices of current… The situation was only marginally less bad than in India. A relative slowdown of the economy by the turn of the century and the building of new power plants improved the balance between demand and supply. From 2002 to 2005, the acceleration of growth around 10% led to another shortage of power in most provinces. An estimated 0.5 percentage point of GDP growth was lost for lack of power. (China Daily, June 6, 2005). In 2006 the situation is again improving, though new tensions might appear with the acceleration of growth .

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Electricity output (billion kwh)

	China	India
1952	7.2	7,5
1978	256	103
2004 (end)	2,187	680

Finally there is a lot of waste in electricity and other resources. "China ranks among the world's most wasteful users of natural resources, according to a latest survey by the Chinese Academy of Sciences" (China Daily, March 4, 2006). As to the Vice-Minister of Environment, he declared: "To produce goods worth 10,000 $, we need seven times more resources than Japan… and, perhaps more embarrassing, three times more than India" (Interview in Der Spiegel, March 7, 2005). Other estimates confined to energy confirm that China uses three times more energy than the USA for a similar output. Looking at coal only, Philip Andrew-Speed writes: "China is mining, transporting and burning substantially more coal than is strictly necessary" ("China's Energy Woes", in Far Eastern economic review, June 2005).

More global data confirm waste or inadequate use of resources hitting productivity. China achieved a growth rate of GDP rather similar to South Korea's in its take off phase with a rate of investments of 35-40% versus 25-30% for the latter.

Every year since 2003 if not earlier, the central government complain, with limited success of over investments leading to excess capacity and losses.

Coming to India

We cannot narrowly compare statistics of both countries. I am inclined to think, though tentatively, that the management of resources is weaker in China than in India, partly under the influence of local authorities which encourage "blind investments", partly due to other factors leading to waste. Even if the gap in performances requires qualifications, the differences between both countries remain

striking: a gross national income of about 2,200 billion $ for the former, versus 720 billion for the latter in 2005 (World Bank, 2006 World Development Indicators) which partly explains the larger amount of public funds available for development in China.

What is first striking - and it would deserve detailed investigations - is to see the acceleration of growth in India in spite of considerable shortcomings in infrastructures, particularly in electricity which cannot follow the growth of industry and services, a growing pressure on transport, trucks driving 200-270 km per day, freight trains running at 25 km per hour, so much below China and rail freight rate being 3 times that of China (Financial Times, November 30, 2005). The only rather clear progress has been in ports where the average turnaround time has declined from 8 to 3 days, yet still quite high compared to Hong Kong, Singapore or mainland China. As to the airports, they face growing difficulties, being unable to cope with a high increase in traffic and facing, as in China, a shortage of pilots.

Since the beginning of the reforms in the 1980s, electricity has been the weakest link of the economy. The already low targets of the 10th Plan 2002-07 has been reduced from 41,000 additional MW to 31,000. Delays in investments, partly due to lack of public funds are accompanied by poor M/O (maintenance & operations) due to limited expenditures and poor management of the State Electricity Boards, often connected with corruption. This leads to long power breakdowns, low voltage damaging electric motors, plenty of power theft, so that 40% or more of the output are lost. No less disturbing is the free or quasi-free electricity for farmers and the heavy price charged to industries, (the double compared to China). Countless reports and books have emphasised for years these defects. (See J. Ruet, Privatising Power Cuts, New Delhi, Academic Foundation, 2006).

Several problems do not differ so much from China's: heavy dependence on polluting coal, uneven maintenance of networks, leakage and corruption.

A number of official statements underline the most urgent needs to strengthen infrastructures. "Our objective of growing sustainably (italics mine) at 8% every year will not occur without a great effort on our part… to increase investments and develop high quality infrastructures" declared Dr Manmohan Singh on the occasion of the World Economic Forum at Davos in 2006 (Wall Street Journal, January 26, 2006). With the advent of the new government in 2004, public funds devoted to infrastructures have been rising, but could they reach the 100 billion $ a year by 2010 as advocated by Morgan Stanley "to achieve a sustained 8-9% growth" when the budget deficit (Centre & States) plus certain off budget estimates amounts to about 10% of GDP?

How could PPP (public-private-partnership) and FDI help? There are, no doubt, signs of hope: the privatisation of Delhi and Bombay airports, the new Electricity Act of 2003 which has paved the way for some big projects of power plants by Reliance, Tata, GMR and others. The involvement of Indian private corporations in expressways begins also to be felt.

Some questions remain open. As just seen in China, FDI have been so far reluctant to get involved in electricity, which applies also to India. Then comes the time duration to implement major projects which may face hurdles. The discussions about the modernization of Bangalore airport go back to the 1990s. Now delays and controversies are appearing about the POSCO steel project (Business India, January 16, 2006). It is not sure, at this stage, that private contributions (local and foreign) will entirely compensate the limited public funds.

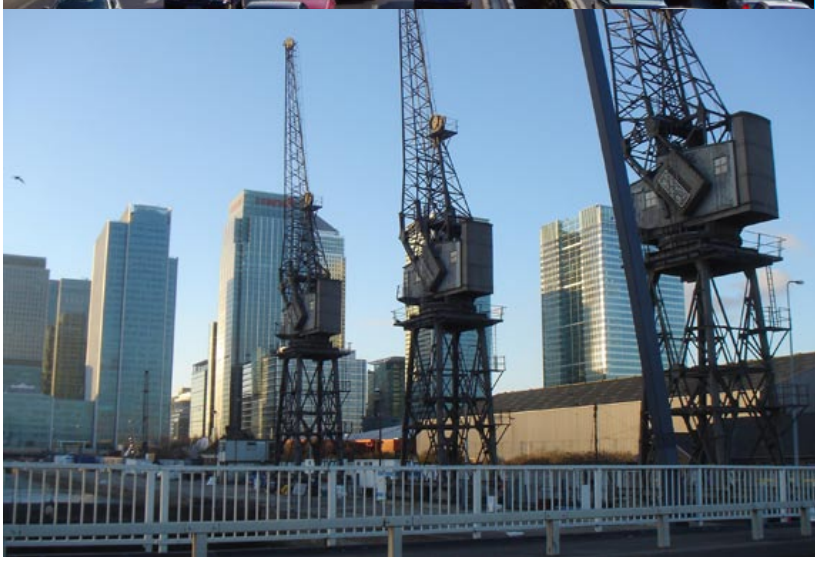
After electricity and transport comes agriculture, i.e. rural infrastructures (electricity, roads, hydraulic works), considerable progress of credit, of extension services, of basic research. The fall of productive expenditures (public investments and recurrent expenditures) since the 1980s in favour of subsidies and various schemes for the poor, has led to a considerable slowdown of agriculture, semi-stagnant farmers' incomes, increase in rural unemployment, social diseases like farmers suicides or disturbances by Naxalites in 150 out of 600 districts. In other words there is an overall agricultural sickness involving technical, economic and social factors.

On the other hand agro-business is on the rise, a number of big corporations are getting more interested in rural markets, in support to agriculture. Better links could develop between farmers and urban retail dealers of milk, meat, eggs, fruit, vegetables, fish… through emerging department stores which will help answering the growing demand of urban middle classes. Yet these positive trends cannot counterbalance the shortcomings mentioned above. That is why major efforts are needed: deep changes in the mindset of urban elites, massive flows of public funds, a thorough commitment of politicians and civil servants.

To conclude

To envisage in India a sustainable growth of 8-10% would assume performances comparable to China, since it is well known that the average 10% growth between 1978 and 1996 is probably inflated by 1 or 2 points. The growth, nevertheless fast, relied on factors, some of which are missing in India. The decollectivisation of the rural economy

gave a tremendous boost to agriculture in the 1980s and to the TVE (town & village enterprises) till the mid 1990s, thus strengthening the overall economy. In India agricultural growth has been sluggish for a number of years. The present shortcomings will take a substantial time to be overcome. Besides one cannot overlook the impact of a good or bad monsoon on agriculture, which still accounts for 21% of GDP, having therefore a greater impact on the whole economy than in China where agriculture corresponds to 13%. As to infrastructures, the end of the shortages is bound to take time even if more public funds become available.



Then come FDI. We have seen their magnitude in China and the key role of the "other Chinese" from Hong Kong, Taiwan, Singapore, followed by Japanese, Korean and Western MNC, a total of 400 to 600 billion $ disbursed since 1980, versus around 60 in India. The Chinese diaspora plays also a particularly important role in the assembly industries which have a major impact on exports. NRI (non-resident Indians) do not carry the same weight as the numerous big Chinese corporations concentrated in East Asia.

One could rightly object that the Chinese way with its reliance on FDI and assembly industries is by no means the sole way to growth. Japan and, later on, South Korea and Taiwan became fully developed with very limited FDI and not so many assembly industries, but they benefited from many transfers of technology. The alternative in India would be higher public expenditures, better linkages between the private sector and the government as in the above mentioned countries.

If the rate of savings and of local investments keeps on rising in India, as has been observed in the past few years, if the same upward trend of FDI keeps its momentum, present financial constraints could be reduced, leading to a sustainable growth around 8-9%, though this hypothesis may not materialize in the immediate future .

Forecasts on China are also far from easy. Is the present GDP growth rate of 10% sustainable with so much waste of resources and increasing damage to environment? It is striking to see the difficulties of the central Government to have its decisions against economic overheating and "blind investments" implemented at the provincial, municipal, districts levels.

Then come political challenges. India enjoys a system accepted by practically everybody. It has its shortcomings, delays, complexity due to coalition governments. Major changes for good or bad seem doubtful in the coming years, so that local and foreign investors know where they are going.

The political future of China is much more hazy, since basic institutions introduced by Deng Xiaoping and his successors are still in the process of being established, be the judiciary system and the legal framework, various economic practices. The Party is far from ready to give up its dominance, even if intra-Party discussions are much more open than under Mao Zedong and Party cells are penetrating the private sector. Yet, how will the Party gradually adjust to changing socio-economic conditions and remove the factors of discontent felt by many Chinese, not only the have not but also a number of people belonging to the rising middle and upper classes?

Beyond many questions left open, it is clear that China, India and - let us not forget them - several other Asian countries are gradually reshaping the economic map of the world. It is not sure that Western elites are fully aware of such changes.

1. Most data without source come for India from The Economic Survey, published by the Ministry of Finance, and for China from The Statistical Yearbook, published by The National Bureau of Statistics.

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China and India: The race to growth

By Diana Farrell, Jayant Sinha, and Jonathan R. Woetzel

McKinsey&Company

The world's two biggest developing countries are taking different paths to economic prosperity. Which is the better one?

First it was China. The rest of the world looked on in disbelief, then awe, as the Chinese economy began to take off in the 1980s at what seemed like lightning speed and the country positioned itself as a global economic power. GDP growth, driven largely by manufacturing, rose to 9 percent in 2003 after reaching 8 percent in 2002. China used its vast reservoirs of domestic savings to build an impressive infrastructure and sucked in huge amounts of foreign money to build factories and to acquire the expertise it needed. In 2003 it received $53 billion in foreign direct investment, or 8.2 percent of the world's total—more than any other country.

India began its economic transformation almost a decade after China did but has recently grabbed just as much attention, prompted largely by the number of jobs transferred to it from the West. At the same time, the country is rapidly creating world-class businesses in knowledge-based industries such as software, IT services, and pharmaceuticals. These companies, which emerged with little government assistance, have helped propel the economy: GDP growth stood at 8.3 percent in 2003, up from 4.3 percent in 2002. But India's level of foreign direct investment—$4.7 billion in 2003, up from $3 billion in 2002—is a fraction of China's.

Both countries still have serious problems: India has poor roads and insufficient water and electricity supplies, all of which could thwart its development; China has massive bad bank loans that will have to be accounted for. The contrasting ways in which China and India are developing, and the particular difficulties each still faces, prompt debate about whether one country has a better approach to economic development and will eventually emerge as the stronger.

—Jayant Sinha

China: The best of all possible models

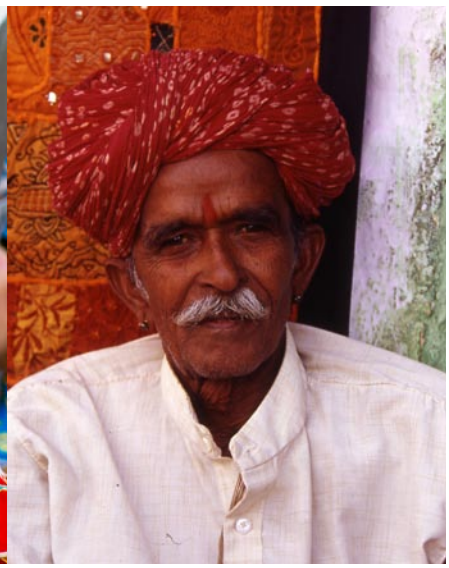
Finding fault with China's approach to economic development is easy: cyclical overcapacity, state-influenced resource allocation, and growing social inequalities are just a few of its shortcomings. But it's hard to see how any other model could have given the economy such a powerful kick start.

The Chinese government manages the development of enterprises with a view to driving economic growth. Government officials essentially have the power to decide which companies grow.

In achieving the objective of growth, this policy has been tremendously successful. China has quickly built industries large enough to drive

its economy. Only 20 years ago, China had no auto industry to speak of; there were a few manufacturers of trucks but none of passenger cars. To get started, the government decided that in a high-scale, high-tech industry, some foreign company—in this case, Volkswagen—had to come in and show local ones what to do. Because most local companies were state-owned 20 years ago, Volkswagen was hooked up with a state-owned company.

You might argue that this development model has thwarted entrepreneurship. But there weren't any entrepreneurs in the industry at the time. The government simply said, "We want China to modernize. We want the Chinese economy to grow. We don't have the companies we need to make that happen, so we're prepared to do what it takes to create them."



The capital-intensive auto plants built with foreign partners in China as a result of its development policy may have no particular productivity advantage over the plants they might have built at home. But all of the spending by the big car companies has paid off.

Moreover, local, privately owned automakers such as Chery Automotive and Geely Automotive are beginning to thrive. A generation of entrepreneurs has put to good advantage the skills and training that the foreigners provided, so that Chinese companies now put together cars of reasonable quality much more cheaply than foreign automakers can. At present, domestic players benefit from the price umbrella that the foreign ones provide. But these smaller fry are now making cars for $2,000, which means that any company that has high cost structures will eventually suffer. With lower tariffs on the way because of China's accession to the World Trade Organization, and with new competitors proliferating, the automotive industry is heading into a classic price war that only the fittest will survive. This is precisely what happened in the consumer electronics industry, where competition led to the emergence of successful Chinese companies that operate globally. I think that in five or ten years' time, at least a third of the Chinese auto industry will be completely private."

Looking at industry more broadly, inefficiencies and cyclicality have resulted from the fact that many funding decisions are driven at the local-government level. Local officials have GDP growth as a political-performance target, so many of them look for the biggest investments they can make to push along the regional economy. The outcome tends to be waves of overcapacity as investments are made right up to—and sometimes way beyond—the point where it is patently obvious that the economics cannot justify them.

But remember that the essential mechanism of economic reform in China has been the encouragement of competition among provinces and municipalities. Until the 1980s there was no such thing in China as a national company. Everything was local. There was no single legal entity that operated more than five kilometers (about 3.1 miles) from its headquarters. With the removal of internal trade barriers, local entrepreneurs and their government backers invested to build scale and attack neighboring markets. Yes, this does lead to overcapacity and price wars. But over time—and relatively short periods of time, too—all that cyclicality also leads to shakeouts that the most competitive enterprises survive. These enterprises, thanks to their national scale and real competitive advantages, no longer depend on local-government funding and can now start to compete for the long term, both domestically and internationally.

That has certainly been the story in consumer electronics, where the top three players in personal computers control 50 percent of the domestic market, and in beer, where the top ten own 30 percent. The beer industry is a case in point: most foreign brewers, unprepared for tough domestic competition and rapid consolidation, entered and exited in the 1990s.

Moreover, I don't believe that foreign direct investment is linked to the development of China's capital markets or to a reform of the banking system. Multinationals account for only 15 percent of fixed-asset investment, so they don't drive the economy to a very great extent. China must rely on its own domestic financial resources to finance growth.

As for the oft-stated view that China is trying to create global state-owned champions, it is at least partly a myth. The government does want to develop strong Chinese companies, but it does not expect them to be state enterprises, which are inefficient by definition. Indeed, it is now telling them that if they want to grow, they will have to get listed on the stock market. The global Chinese companies of tomorrow will be competitive, mostly listed, and entirely commercial in their aims and purposes.

Ultimately, you have to ask whether the inefficiencies of the Chinese approach outweigh what it has achieved for the economy overall. The answer, I think, is no. The government still controls most of the country's financial resources and has been reasonably good at allocating them—that's why the economy has grown so fast. Compared with the private sector in an efficient market, the government is no doubt worse at allocating funds. But China is not an efficient market, and the Indian model—essentially one with relatively little investment funding, whether by the government or the private sector—could not have achieved as much growth for the Chinese economy as the approach China's government actually took. The Indian model might not be adequate for India's economy either: the country's family-owned businesses and other private investors may be good at deciding what makes a sound

investment for them, but they have not spent enough money to drive the kind of growth seen in China. It would not surprise me at all to see investment in India rise dramatically as foreign and domestic investors alike begin to recognize its potential going forward.

--Jonathan Woetzel

Sector by sector

The answer to the question, "Which is the better approach to economic development?" is not to be found at the national level. You have to look at what's going on in individual industries. And when you do, you find that supportive government policies that encourage competition drive good performance. Both China and India have some sluggish, inefficient industries that are heavily regulated and lack competitive dynamism. But both countries also have successful industries that thrive unfettered by poor regulation.

The McKinsey Global Institute has long argued that the key to high economic growth is productivity and that the main barrier to productivity gains is the raft of microlevel government regulations that hinder competition. This idea is well illustrated in the case of India.

At the high end of India's productivity spectrum is the information technology, software, and business-process-outsourcing sector. As a new sector—and one whose potential the government, in my view, failed to recognize early on—it has avoided stifling regulation. IT, software, and outsourcing companies are exempt from the labor regulations that govern working hours and overtime in other sectors, and they have been allowed to receive foreign direct investment, which is prohibited in retailing, for example. Without this foreign money, it is debatable whether the sector could have taken off. By 2002 it already accounted for 15 percent of all foreign direct investment in India.

In the middle of the spectrum is the auto industry, which has seen dramatic change since the government began to liberalize it in the 1980s. By 1992 most of the barriers to foreign investment had been lifted, and this made it possible for output and labor productivity to soar. Prices have fallen and, even as the industry has consolidated, employment levels have held steady thanks to robust demand. Nonetheless, with tariffs on finished cars still relatively high, automakers remain sheltered from global competition and the sector is less efficient than it could be.

At the low end of the spectrum is the consumer electronics sector, which, despite the lifting of foreign-investment restrictions in the early 1990s, is still burdened by tariffs, taxes, and regulations. As a result, Indian consumer electronics goods can't compete internationally and prices for local consumers are unnecessarily high.

Now look at China, which also has some reasonably liberalized and highly competitive industries, including consumer electronics, in which labor productivity is double that of its Indian counterpart. Over the past 20 years, the industry has become globally competitive through a combination of foreign direct investment and intense competition among domestic companies. Today China makes $60 billion worth of consumer electronics goods a year.

The performance of China's auto industry—which was considered a strategic one and remains tightly regulated because of the government's desire to bring in technology and investment—is less clear-cut. The sector shows how government intervention can thwart the potential of foreign direct investment. Foreign automakers can invest only in joint ventures, they have to buy components from local suppliers, and tariffs shield the market from imports. Competition is beginning to increase as private companies grow stronger. But for the time being, the productivity of foreign joint ventures in China is low compared with that of plants in Japan or the United States—astounding given China's low labor costs.

Since there are such big differences in the performance of different sectors within the same country, it makes sense to compare the performance of India and China at the sector rather than the national level. In IT and business-process outsourcing, India is

so far ahead of the game that China can't do anything during the next 10 or 15 years that would bring it close to catching up. In consumer electronics, however, China dominates, and India won't provide serious competition during the next 10 years.

The auto sector is a toss-up. India's competitive forces have driven an enormous amount of innovation in the sector. Low-cost labor has been used instead of expensive automation, and local engineering talent has developed innovative new products. In China, large amounts of foreign direct investment have built a big industry, but regulation has so far limited its competitive potential.

It is far from clear which economy will emerge as the stronger one. The foundations of robust, sustainable economic growth must be built at the industry level, on the back of high productivity, which is achieved when governments ensure a level playing field through sound regulation and remove the barriers that stifle competition. Both China and India still have ample opportunity to help their industries and economies thrive..

--Diana Farrell

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中国和印度：崛起的竞赛

Diana Farrel, Jayant Sinha 以及华强森

McKinsey&Company

当今世界最大的两个发展中国家正沿着不同的道路迈向繁荣。两者相比，孰优孰劣？

2004特别版：今日中国

中国率先开始崛起。上世纪80年代开始中国经济开始崛起并将自己定位为全球经济大国，随后其闪电般的发展速度让全世界都感到不可思议，进之愕然。在制造业的大力推动下，中国GDP的增长速度在2002年实现8%之后2003年更上升至9%。中国通过其数额庞大的国内储蓄建立起了令人赞叹的基础设施，同时吸引巨量外资兴建工厂并获得了其发展所需要的技术。2003年中国供吸收了530亿外国直接投资，占全球8.2%，拔得世界头筹。

印度的经济转型起步比中国晚了将近十年，但得益于西方的大量就业转移，印度最近获得了和中国同样程度的关注度。与此同时，在如软件、IT服务、制药等知识密集型行业，一批世界级的公司迅速在印度崛起。这些公司的成长很少获得政府的资助，但推动了整体经济的发展：2003年印度的GDP增幅由2002年的4.3%上升至8.3%。但是印度吸引外资的水平——2003年由2002年的30亿上升为47亿——只有中国所吸收外资的一小部分。

但是两国都面临着严峻的挑战：就印度而言，其糟糕的路况和水电供应不足都有可能阻碍其经济的发展；而中国沉重的银行不良贷款是其迟早都要解决的难题。中印两国发展模式的比较，尤其是各自面临的挑战不禁让人们思考：两国选择的道路是否有优劣之分进而最终分出胜负？

—Jayant Sinha

中国：所有可行模式中最好的一种

给中国经济发展的模式挑刺儿很容易：周期性产能过剩，国家影响资源分配，社会不平等逐渐加剧，这还只是其中几个毛病。但是，其他的模式却很难让经济如此迅速地腾飞。

中国政府管理企业发展的目的是要促进经济的发展。中国官员拥有重要的权力决定推动哪些企业的发展。

这条政策在促进经济发展方面非常成功。中国在短时间内将很多行业建设到了一定的规模，推动了经济的发展。仅仅在二十年前，中国还没有汽车制造业，有一些厂家生产卡车，但是没有乘用车的制造商。政府认为，要建设这样一个大规模、高技术的行业，就必须引入外国公司让其发挥示范作用，而当时选择的就是德国大众公司。因为二十年前大部分国内公司都是国有制，所以大众必须和一个国有公司合作。

有人可能会说，这种发展模式阻碍了创业精神。但是当时这个行业中没有任何的创业公司。政府的考虑很简单：我们要中国实现现代化，我们要中国经济增长。我们没有合适的公司实现这个目标，所以我们愿意做任何事情创造这样的公司。

通过这些发展政策，中国建设了一些资本密集型的合资汽车厂，这些工厂的生产效率并不一定会高于中国本来可能独资建设的工厂。但是大公司所有的投入都获得了回报。

此外，国内的私营汽车公司也开始繁荣发展，例如奇瑞公司和吉利公司。这一代的创业者很好的利用了外企提供的技术和培训，所以现在中国公司生产的车质量还不错，价格也比国外厂家的要便宜得多。现在，国内厂家还受到了国外厂家价格大伞的荫庇，但是这些小厂家的销售价格已经降至2000美元，这就意味着如果公司生产成本高，最终就会受损失。中国已经入世，关税的价格会逐步降低，越来越多的公司将参与竞争，汽车制造业将步入传统的价格大战，只有适者才能生存。这和在家电行业的情形完全一样，一些中国公司在竞争中脱颖而出，开始在全球开展业务。我认为在5至10年以后，至少三分之一的中国汽车公司将是私营企业。

纵观整个行业会发现，因为很多投资决策是由

地方政府做出，所以导致了低效率和周期性波动。地方官员的业绩考察中包括GDP的增长率，所以很多官员努力寻求最大的投资，以促进本地经济发展。这样带来的后果是，投资的规模已经达到、甚至严重超过经济上明显合理的程度，从而导致产能过剩。

但是要记住，中国经济改革最重要的机制是鼓励各个省份和城市之间展开竞争。直到80年代，中国还没有全国性公司的概念。一切都是地方的。任何一个法人实体都不会在总部五公里以外有经营活动。随着内部贸易壁垒不断移除，地方的企业家和支持这些企业的政府官员不断投资，使企业规模越来越大，开始向相邻地区的市场展开攻势。的确，这会带来产能过剩和价格战，但是只要过一段时间，而且是相对较短的一段时间，这些周期性波动会带来行业的整合，只有竞争力最强的公司才能够存活下来。这些公司借助全国性的运作规模和真正的竞争优势，不再依靠地方政府的拨款，可以开始在国内外市场展开长期竞争。
家电行业正是如此，最大的三家个人电脑生产商占据了50%的国内市场。啤酒业也是这样，前十大厂家拥有30% 的市场。啤酒业是个很值得关注的例子，因为在90年代，大部分国外的酿酒厂没有做好准备，不能应对激烈的国内竞争和迅速发生的整合，所以在进入中国市场后又不得不退出来。

此外，我认为外商直接投资和中国资本市场的发展并没有联系，和银行体系的改革也没有联系。跨国公司仅占到固定资产投资的15%，所以对于经济的推动力并没有实质影响。中国必须依靠国内的融资渠道来提供发展所需的资金。

至于常常提到的一个观点，即中国试图制造几个全球领先的国营企业，这不完全符合事实。政府确实想推动中国公司发展壮大，但是并不期望这些是国有企业，因为国企的效率不会很高。事实上，政府正告诉这些企业，如果你们想发展就必须上市。未来的全球性中国公司很有竞争力，大多数是上市公司，企业的目标和宗旨是纯商业性的。

最终要问的是，中国模式中低效率的部分是否抵消了对总体经济的促进作用。我个人认为，答案是否定的。政府依然控制国家大部分的金融资源，在资源配置方面做得也很不错，所以经济才能发展得这么快。和高效率市场中的私有部门相比，政府在资源配置方面当然逊色很多，但是中国并不是一个高效率的市场。而如果采用了印度模式，也就是政府和私有部门投资都较少的模式，中国经济也不可能达到现有的发展高度。印度模式其实可能也并不完全适合印度经济，印度的家族企业和其他私有投资者可能可以为自身的利益做出很好的投资决定，但是他们没有投入足够的资金推动像中国这样规模的经济增长。如果随着国内外投资者

认识到印度未来的发展潜力，印度的投资规模将大幅上升，我决不会感到意外。

-华强森

各行业分析

“哪种经济发展的模式更好？”这个问题的答案不能在国家这一层面上得到解答。你必须去观察每个行业的具体情况，这样你会发现鼓励竞争的政府政策推动优异的经济表现。无论是中国还是印度都有着一些发展迟滞，效率低下的行业，它们都受到国家的严格管制，缺乏竞争机制，毫无活力；而两国也都拥有摆脱不良监管的桎梏从而蓬勃兴隆的行业。
麦肯锡全球研究所一直以来都持有这样的观点：生产效率是高速经济增长的关键，而生产效率难以提高的最大障碍就在于各级政府的层层监管抑制了竞争。这一观点可从印度的案例中得到充分的佐证。

位居印度各个行业生产效率前茅的是信息科技、软件和业务流程外包行业。作为一个新兴行业——而且在我看来在一开始政府并没有意识到这个行业的潜力——它免受了严苛的监管之苦。IT、软件和外包公司不受劳工法律法规的约束，其他行业必须要遵守的工作时间的加班规定对它们无效，此外它们还可以吸收国外直接投资(FDI)，而零售业就没有这项政策。要是没有外国投资，这个行业会否有今天的繁荣着实难说。截至2002年该部门吸收的FDI已占到了印度吸收外资总额的15%。

在生产效率中居中游的是汽车业。印度汽车业自上世纪80年代政府允许放开以来发生了翻天覆地的变化，到了1992年绝大多数限制外国投资的政策被取消了，大幅增加该行业的产量和劳动生产率。尽管价格下跌了，而且由于需求旺盛，即使是在行业重组时期就业率也一直保持稳定。但是整车关税依然相对处于高位限制了汽车制造商参与全球竞争，此行业的效率并未完全显现。

位居末游的则是电子消费品行业，尽管该行业的外资限制早在上世纪90年代初就得以解除，但它仍然肩负重重关税、税费和监管的重压，造成印度的电子消费品无法在国际竞争中立足，而本地消费者支付的价格高得不合理。

现在来看看中国的情况。中国同样有着一些适度放开而竞争激烈的行业，包括电子消费品在内的这些行业部门的劳动生产率是其印度同行们的两倍。在过去的20年里，中国的电子消费品行业随着国外直接投资和国内企业的激烈厮杀已经具备了国际竞争力。如今的中国每年要生产价值600亿美元的电子消费品。

中国汽车业的表现——中国的汽车业被认为是一个战略型行业，中国政府出于引进技术和投资的目的，对其保持严格的控制——比较微妙。这一行业证明了政府的 干预可以阻碍潜在的国外直接投资。外国的汽车制造商在中国只能以合资企业的方式进行投资，他们只能从本地供应商那里购买零部件，而关税又保护着市场不受进口的冲击。随着私有企业的壮大，竞争已经开始加剧。但就目前而言，外商在中国的合资企业的生产效率要低于他们在日本或美国的工厂——考虑到中国的低廉的劳动力成本，这一事实着实叫人诧异。

既然一国之中各个行业的表现就如此迥异，中印两国的比较就应该在各行业层面进行，而不是在国家这一层面上展开。就IT和业务流程外包而言，印度目前远远领先于中国，且中国在未来10到15年也无法接近印度的水平。而电子消费品行业则是中国遥遥领先，印度在未来10年都不足以对中国构成足够的威胁。

汽车行业两国则势均力敌。印度的竞争力已经在行业内催生了巨大的创新力，它们启用廉价劳动力代替昂贵的自动化，国内的工程制造人才业已开发出了创新的产品。中国的大量国外直接投资已经构筑了一个庞大的产业，但是监管却限制了其竞争潜能。

现在要预言两国最终孰强孰弱为时尚早。稳健、可持续的经济增长的基础必须建立在行业层面上，必须以高生产效率为支撑，这只有在政府许诺一个平等的竞争环境、合理监管、消除竞争壁垒的前提下才有可能实现。中印两国仍旧手握机遇，足以去实现各行业和总体经济的繁荣。

-Diana Farrell

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From Basel to South China

- A story of Swiss missionaries in early China

According to the historical data currently available, it can be traced back to the end of Ming Dynasty when the first Swiss came to China. Nicolaus Fiva from Fribourg joined the late 16th Century's upsurge of European entering China via Macao, being the first Swiss came to China in 1638 as recognized so far. Franz Stadlin (Chinese name: Lin Jige, called Yucang), another Zuger, Catholic Missionary and watchmaker arrived in Beijing in the 46th Year of Emperor Kang Xi's Reign, (the year of 1707), was the first Swiss serving the Chinese Qing court till death (the 5th year of Emperor Qian Long's Reign, the year of 1740). As a skillful craftsman making a living traveling from country to country in Europe, Franz Stadlin had profound knowledge and excellent skills, highly appreciated by the court and awarded by Emperor Qian Long after death, gloriously buried in Beijing with a stele for his fame. In the early days, the Westerners usually entered China via the large gate of coastal area in South China. However, many celebrities among them, after living for a period of time in the hinterland, made up their minds to go up north to Beijing and serve for the emperor. Their activities and contributions to the cultural communication both at home and abroad have attracted wide attention and research. Nevertheless, from historical literature and dictated history spread among people, we can find many foreigners spreading culture and cultivating friendship among people despite of their geographical distance, among whom Swiss also shares a considerable portion. Looking back on the relationship between South China and Swiss today, we're sure that neither the official consulate nor the common missionaries to China will be forgotten.

Since the latter half of 19th century, more and more Swiss came to South China in the aim of doing business and missionary work. Among this group of people, a batch of Protestant missionaries from Basel along Rhine in Northeast frontier of Switzerland had especially left their footprints in South China, and also brought back the distinctive cultural wealth of China to Basel, the famous cultural city in Europe. Undoubtedly, they play an important role in modern Sino-Occidental cultural exchange. And it has achieved a presence for Switzerland in the whole world in this regard.

These Swiss from Basel to South China belong to "Basel Mission", an association founded in the year 1815, headquartered in Basel and moreover, a mission of non-colonial country different from other western powers. Since Basel belongs to the German-speaking region in Switzerland, and there were also Germans in the mission, disputes used to arise regarding the belonging of the mission, and some research in our country also categorized this mission to a German one. In fact, even though the missionaries came from different countries, it is incontestable that headquarter of the mission had been located in Basel Switzerland all along. Nowadays, the large quantity of historical literatures and photos related to China treasured up in the mission archives and library in Basel become the important evidence for research on the relationship between this Swiss mission and South China, as well as its function in Sino-Occidental culture exchange.

Basel Mission first assigned two missionaries to South China in the year 1847 to expand its business in Hong Kong and Northeast Guangdong. Till the last batch of missionaries left inland China in the year 1951, they stayed in China for more than one hundred years. During the century, it is surprising that except for some activities in Hong Kong (great achievements have been made for the relevant research in recent years, especially the research on the relationship between the mission and Hong Kong, which is temporarily omitted here), most of them went to the most impoverished towns and villages among hills and terraces in Northeast Guangdong instead of staying in the coastal rich and populous cities, witnessing exploration and progress of those Hakka people sticking to their unique phylum during cultural collision. To think over and study the historic encountering of Swiss coming to the east with the mission of spreading Christian cultural and the marginal mass "Hakka" in South China full of cultural complex in central plains will be beneficial to enhancing our understanding towards collision and integration of different civilization.

In the selected Northeast Guangdong, similar to its practice in other countries, Basel Mission adhered to learning and using local characters and language from the very beginning of its arrival to facilitate its communication and understanding towards the local people, which was also favorable for direct propagation of tenet and imparting of culture. Till now, various works like Hakka—German Dictionary,

Hakka Language Dictionary, Hakka Language Grammar, Roman Capitals Hakka Language Textbook, etc. are still well kept in the archives of Basel ission. In addition to the religious works like The Bible, there are also various books in Hakka language like Hakka Language Reading Book Volume 1-8 compiled from 1929 to 1936, Newly Compiled Hakka Songs published in 1936 and 1939 successively, Medicine Hakka Language Reading Book published in 1931 (compiled by Deji Hospital in Mei County), etc.I have visited Mr. Ernst Itten in Switzerland, ex-missionary at the age of 86, who was in China during 1945-1951. His fluent Hakka language made me gasp in admiration. Ernst Itten talked about the experience of his early years in China with the foreign language he learned nearly half a century ago, recalling the fond memory of those living Hakka friends and their later generations, and described his joy when he returned to Northeast Guangdong two years ago. I was deeply impressed.

As one of the unique Han nationalities in Chinese nations, Hakka is the only one mass not named after the region, of which the long history and mysterious legend left people the reverie for collision and integration of various cultures. However, it is this mass wandering and migrating for nearly one thousand years created the miracle to maintain and promulgate its unique language despite of the vagrancy full of hardship, a kind of ancient Chinese named as “Tang Voice“ by themselves. The education passed on among Hakka people that “Never forget the ancestor’ s language even if selling the ancestor’s land “is exactly the portrait for one nation adhering to the traditional spiritual cultural foundation. Therefore at the end of 19th century and at the beginning of 20th century, the adoption of this kind of dialect embodying ancient Chinese civilization in promulgating modern western ideas and concepts has created collision opportunity for cultures of different connotation, which benefit both parties a lot. Those who living in the isolated and impoverished villages in Northeast Guangdong far from the urban civilization are more likely to accept the lucky chance to understand the outside world with their own language.

From the registration directory for missionaries maintained in the archives of Basel Mission, in the early stage, most of the members of Basel Mission came from the family of farmer or craftsman or as common worker labors themselves, and some were teachers and doctors. They never hesitated to take serving the people in poor villages at lower level as their own responsibility; therefore they felt grateful as a personal kindness for the inequality, instability, suffering of the people’s life, low social status of the women, and extreme poverty of the mass farmers in the old Chinese society during that era. Therefore they established schools to provide compulsory education and religious education. In addition to the religious courses, the education from primary school to middle school also covered various new and practical courses, like Chinese, Mathematics, Foreign Language, Geography, Physical Education, Music, etc., and also established schools for female, and brought the western education concept and mode to inner villages in China during the education process, widely welcomed by the people in Hakka area where education is valued. Additionally, they also set up some divinity schools and medicine schools to cultivate the clergy and medical care personnel; they paid much attention to the establishment of hospitals and provide medical treatment service to the people in the impoverished areas. The most famous hospitals include Deji Hospital established in Mei County in 1893 as well as Heyuan Renji Hospital established in 1907.

While promulgating the western religious idea and promoting the mass education in local area, members of Basel Mission also carried out wide study and research on local social culture, traditional ideas as well as local conditions and customs, and introduced to more Swiss people via their report and books written back to Switzerland for the convenience of communicating the two countries not understanding each other. In some publications by members of Basel Mission in early stages, there were books specially introducing the Chinese children to youth in Switzerland, in which the author narrated to the remote Swiss children with a mild and pitiful style by describing the routine life, food and drink habits of the children living in Hakka area in China and their education received in the schools set up by the missionaries, as well as the bad vogue for male preference to female of the whole society and hardship and work of children, etc. The author hoped that such introduction could awake sympathy of Swiss children and enhance their understanding towards China. There are also some works featuring Chinese women criticizing various bad habits and customs of imparity between male and female as well as discrimination upon women in old China, consciously introducing brilliant intelligence of Chinese women and historic celebrity among them. These books introducing the social history of China by non-professional sociologist, historian or Sinologist are much closer to life and more easily to be popularized. Additionally, more works by missionaries of Basel Mission reflect the cultural difference and hardship for social reconstruction via their own experiences. In a word, no matter their life journey in the Hakka area of South China is intentional or not, long or short, they all left deep footprints in the historical process of mutual approaching, understanding and tolerating between the eastern and western cultures.

Today, when we look back to the turned-over leaf of history, we have got the solid ground to reveal this not-well-known page to people to expect more communication between China and Switzerland, especially the extension of friendship with South China. Long live the friendship of the two countries!

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从巴塞尔到南中国

从目前可查历史资料上看，瑞士人到中国可以追溯到明朝末期，来自弗里堡的Nicolaus Fiva加入欧洲人从16世纪末期经澳门进入中国的热潮中，1638年成为目前认为的第一个到中国的瑞士人。而另一位楚格人、天主教传教士兼钟表工匠Franz Stadlin(中文名：林济各，字雨苍)，从康熙四十六年（1707年）到北京是第一位为朝廷服务至去世（乾隆五年，1740年）的瑞士人。他是一位曾在欧洲多国闯荡的能工巧匠，知识渊博、技艺精良，深受朝廷重视，死后得到乾隆赏赐，厚葬立碑于北京。早期西方人进入中国，一般都通过南部中国沿海地区这个大门。但是他们中许多著名人士在内地边远地区生活一段时间后，都志在北上京城，为皇帝效力，他们的活动及在中外文化交流中的贡献受到许多的关注和研究。然而，从历史文献中、从流传民间的口述历史中，我们可以发现不少处江湖之远在民间传播文化和友谊的外国人士。其中也不乏瑞士人。今天追忆南部中国与瑞士的关系，从官方的领事馆到普通来华传教士都不会被遗忘。

从19世纪下半叶起，进入南部的瑞士人日渐增多，意在经商传教。其中来自瑞士东北边境莱茵河畔巴塞尔的一批新教传教士特别在南部中国留下他们的足迹，也给巴塞尔这个欧洲文化名城带回去中国独特文化的财富。无疑应该肯定他们在近代中西方文化交流中起的不可忽视的作用，正是他们在这个方面为瑞士争得一席之地。

这些从巴塞尔到南中国的瑞士人，属于创办于1815年、总部设在巴塞尔的“巴色会”（Basel Mission），而且是一个有别于西方列强的非殖民国家的差会。由于巴塞尔属瑞士德语区，又由于差会中也有德国人，一时关于差会的归属有争议，我国的一些研究中也把该会归于德国差会。实际上，即使人员来自不同国度，但是差会总部始终设在瑞士本土上的巴塞尔也是不争的事实。如今，在巴塞尔的差会档案馆、图书馆中珍藏的大量与中国有关的历史文献和照片，成为研究这个瑞士差会与南部中国的关系、它在中西文化交流传播中起的作用的重要依据。

巴色会于1847年首派两名传教士到南部中国，开拓在香港和粤东北的工作，直到1951年最后一批传教士离开中国内地，时间长达百年。百年间令人惊讶的是除了在香港的部分活动外（近年来相关的研究，特别是差会与香港关系的研究很有成果，在此暂且不表），他们中大多数远离沿海富庶地区城市，始终奔走在最为贫困的乡间、在粤东北的山岭梯田之中、见证那些坚守独特语系的客家民众在文化碰撞中的探索与进取。思考和研究肩负基督教文化使命东来的瑞士人与南部中国充满中原文化情结的边缘民系“客家”的历史相遇，将有助于我们加深对不同文明的冲突和融合的理解。

在它选择的粤东北地区，巴色会一如在其他国家，从一开始就坚持学习和使用当地文字语言，以便于与当地民众的沟通理解，利于直接传播教义、传授文化。迄今，在巴塞尔差会档案馆依然完好地保存一批十九世纪下半叶至二十世纪初出版的《客家--德语词典》、《客语字典》、《客语语法》、罗马字客语教科书等。除了圣经等宗教作品外，还有由巴色会从1929-1936年间编写的《客话读本》1-8册、1936、1939年先后出版的《新撰客家歌》、1931年出版的《医界 客话读本》（梅县德济医院编）等客家语言书籍。笔者在瑞士曾访问1945-1951年在华的86岁高龄的前传教士易定恩（Ernst Itten），他那一口流利的客家话不得不令笔者叹服。他用半个多世纪前所学的异国方言追述他在华的早年经历、怀念他那些健在的客家友人及后人、描述他
前两年重返粤东北的喜悦，给笔者留下深刻的印象。

客家作为中华民族独特的汉族民系之一，是唯一不以地域为名的民系，其悠久历史与神秘传说给人以多种文化冲突与融合的遐想。而就是这样一个上千年流浪迁徙的民众却在历经磨难的漂泊中神奇地保存、传播了自己独特的语言，一种被其自称为“唐音”的中原古汉语。客家人代代相传的训导：“宁卖祖宗田，不忘祖宗言”，正是一个民系坚守传统精神文化根基 的可歌可泣的写照。也正因为如此，在十九世纪末二十世纪初，使用这种体现古老华夏文明的方言传播近代西方思想理念，创造了不同内涵的文化的碰撞机会，使双方受益匪浅。对于那些远离城市文明、生活在封闭贫瘠山村的粤东北民众更易接受使用自己的语言认识外部世界的机缘。

从巴塞尔差会档案馆保存的传教士登记名录看，早期巴色会成员大多来自农民、工匠家庭或者本身就是普通劳动者，也有一些教师、医生。他们毫

不迟疑地以在贫困的乡村、下层的民众中服务为己任。因此他们对于那个时代旧中国社会的不平等、不安定、民众生活的痛苦、妇女地位的低下、广大农民的极度贫穷感同身受。为此他们开办学校提供义务教育和宗教教育。从小学到中学的教育中除了宗教课程，还开设实用的新科目，如语文、数学、外语、地理、体育、音乐等，还专门为女子开办学校。在办学过程中把西方的教育理念和范式带到中国内地乡村中，受到本来就重视教育的客家地区人士的欢迎。此外，他们也开办神学院和医学院，培养神职人员和医护人员；他们注重开设医院，向贫困地区民众提供医疗服务。最为著名的医院有建
自1893年梅县的德济医院和1907年创办的河源仁济医院。

巴色会成员在当地传播西方宗教思想和推广大众教育的同时，也对当地社会文化、传统思想、风土人情进行多方了解研究，并通过他们写回瑞士的报告、书籍介绍给更多的瑞士民众，有利于沟通互不了解的两个国家。在一些早期巴色会成员的出版物中，有专门向青少年介绍中国儿童的书籍，作者以温柔同情的笔调向远方的瑞士孩子讲述在中国客家地区的儿童的日常生活、饮食习俗、在传教士们开办的学校接受教育情况，以及整个社会重男轻女的不良风气，儿童们的困苦和劳作等。作者希望通过这些介绍唤起瑞士儿童的同情心和加深对中国的认识。出版物中也有专门介绍中国妇女的作品，批评旧中国男女不平等、歧视妇女的种种陋习恶俗，有意识地介绍中国妇女的聪明才智和她们中的历史名人。这些出自非专业社会学家、历史学家或汉
学家之手的介绍中国社会历史的书籍，更加贴近生活和更易普及。此外，巴色会的传教士们更多的作品是通过他们本身的经历体会文化的差异和进行社会改造之艰难。总之，他们在南部中国客家地区的人生旅程不论有意无意、也不论多少，都在东西方文化相互接近、理解、宽容的历史过程中留下深深的印迹。

今天，我们回顾翻过去的历史篇章，有理由把鲜为人知的一页向世人展示，期待两国有更多的交流，特别是与南部中国延续友情，愿两国友谊长存。

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Chamber Events 商会活动

1 December 7, 2006 – The World Economy at the Crossroads: Chances and Risks in the Current Economic Environment.

A Breakfast Briefing was hosted with the State Secretary for External Economic Affairs, Mr. Jean-Daniel Gerber. Mr. Gerber is the Head of seco, the State Secretariat for Economic Affairs of Switzerland. Seco is part of the Ministry of Economic Affairs, and works closely with the Ministry of Foreign Affairs. Seco implements Switzerland's internal and external economic policy and leads the economic diplomacy of Switzerland.

Our members and guests were given a unique insight on the risks and opportunities faced by Switzerland with the challenge posed by the global economy.

Photo(Left to Right): H.E. Ambassador Dante Martinelli; Ms. Evelyn Kislig, SwissCham Executive Director; Mr. Jean-Daniel Gerber, State Secretary for External Economic Affairs; Mr. Cyrill Eltschinger, Chairman of SwissCham China; and Mr. Richard Liu, SwissCham Public Relations Director

照片(从左至右)：瑞士驻华大使丹特马提内里先生;中国瑞士商会北京分会总经理祈思玲小姐; 瑞士对外经济事务部长Jean-Daniel Gerber先生; 中国瑞士商会主席埃尔钦汗先生; 及中国瑞士商会公关总监刘念祖先生

1 **2006年12月7日 – 位于十字路口的世界经济：机遇与风险并存的当今经济环境**

我们举办了一次早餐会，并邀请到瑞士对外经济事务部长Jean-Daniel Gerber先生。Gerber先生市Seco的领导，Seco即瑞士对外经济秘书处，是经济事务部的一个部分，而且与外事部工作联系相当紧密。Seco负责实施瑞士的内部以及外部经济事务，领导瑞士的经济外交。

对于瑞士所面临的全球经济对带来的挑战，所有我们的会员以及嘉宾们都领会到了蕴含在其中的风险与机遇。

2 December 11, 2006 – 4th Annual Chairmen's Signature Year-end Dinner Invite

National Chambers of Commerce in Beijing all contributed immensely in 2006 to a tightening of communications and relations between our non-profit organizations, while the year offered its load of ongoing issues and challenges for our respective commercial enterprises and related businesses.

At the end of the day, the chambers are all business professionals representing commercial interests in the China market, and can continue to gain tremendous value in many areas to lobby and apply pressure, as a group, based on each individual organizations' willingness to do so, and on a case by case basis as a means to get things done more effectively with the Chinese Authorities.

The China Market has changed so much in the last 10 years and continues to undergo dramatic new changes as the speed of change is presenting ongoing challenges. The organizations are an essential mutual vehicle and guide to assist through these changes, properly conveying important initiative efforts, and advising our China government partners on areas that require change.

2 **2006年12月11日 – 第四届年度商会会长晚宴**

2006年，在京的各国商会都以无比热情的工作促进着我们非营利机构之间的交流与协调，因此，这个年度的商会会长晚宴也正是为大家提供这样一个契机，使我们能够就我们各自相关的商业机构与相关行业的目前的热门话题与面临的挑战进行交流。

更重要的事，商会都是商业上面的专家，代表着中国市场的商业利益。而且商会在很多方面都可以与相关机构协调---当然，取决于各个机构的意愿---对个别情况，我们可与与中国官方更加有效的合作，由此取得更大的利益与价值。

过去10年中，中国市场发生了巨大的变化，随着新变化发生的速度，挑战也随之而来。商会，就是在这些变化中起引导协助作用的的重要一环，同时通过主动地努力从中协调，也能建议中国政府在某些领域做出改变。

3 December 13, 2006 – Inter-Chamber Christmas Cocktail

SwissCham, MayCham, CCBC, and AustCham hosted an exclusive monthly inter-chamber networking event at CENTRO, Kerry Centre Hotel, to celebrate another year of cooperation and goodwill during this festive and joyous season of Christmas.

This special cocktail brought out over a hundred new and existing members together to exchange contacts and meet Chamber Staff, Board of Directors and Committee Members to learn more about the Chamber's services and activities.

3 **2006年12月13日 – 跨商会圣诞鸡尾酒联谊会**

瑞士商会，马来西亚商会，加中贸易理事会和澳大利亚商会在嘉里中心酒店炫酷酒吧联合举办了一次跨商会的交流酒会。此次活动是为了纪念商会之间的又一年友好合作，以及欢度美好的圣诞假期。

这次鸡尾酒会共有超过一百名新老会员参加，互通有无，并会见商会工作人员和董事委员会成员，以便获知商会更多的服务及活动。

4 December 20, 2006 – A Merry Christmas

The SwissCham Beijing team took some time out for a team spirit photo during the Christmas season.

4 2006年12月20日 – 圣诞快乐

圣诞期间，中国瑞士商会北京的工作人员外出照了一张全家福，以促进大家的团队精神，增进成员之间的友谊。

5 January 23, 2007 – CCPIT New Years Networking

The China Council for the Promotion of International Trade (CCPIT) hosted a dinner with foreign chambers, embassies, trade and commercial associations in Beijing.

Photo(Left to Right): Mr. Cyrill Eltschinger, Chairman of SwissCham China; Mr. Wan Jifei, Chairman of CCPIT; Mr. Richard N. Liu, SwissCham Public Relations Director; and Ms. Evelyn Kislig, Executive Director, SwissCham Beijing

照片(从左至右): 中国瑞士商会主席埃尔钦汗先生;中国贸易促进委员会会长万季飞先生; 北京中国瑞士商会北京分会总经理祈思玲小姐; 及中国瑞士商会公关总监刘念祖先生

5 2007年1月23日 – 中国国际贸易促进委员会新春招待酒会

中国国际贸易促进委员会在北京与外国商会，大使馆以及商业贸易组织举办了一次晚宴。

6 January 31, 2007 – Economic Outlook 2007 Business Opportunities and Challenges

SwissCham hosted an annual meeting focused on changes in China's economy. Participants actively discussed changes in China's economy and what those changes might imply for the operating decision maker in 2007. Our Panelists were:

- **Vincent Chan**, Managing Director, Credit Suisse: Investment Banking Division, Head of China Research and China Strategist in the Equities Department
- **Alexander Wan**, Executive Editor, China Daily's CEO Roundtable
- **Vivek Arora**, Senior Resident Representative, IMF (International Monetary Fund), China

Moderator: **Zhao Xu**, Head of International Cooperation Office, Unirule Institute of Economics

6 2007年01月31日 – 和2007年经济展望 – 商业的机遇与挑战

中国瑞士商会举办了一年一度的经济展望会议，这次的主题是中国经济的变革。与会者们积极发言，讨论了中国经济发生的变革，以及这些变革可能包含着经营决策者们怎样的暗示。我们的小组讨论者包括：

- **陈昌华**，瑞士信贷投资银行部总经理，中国研究主管，中国股票部的战略家
- **温华**，中国日报CEO圆桌论坛总编
- **维韦克阿罗拉**，国际货币基金组织驻华首席代表

主持人：**赵旭**，天则经济研究所对外合作部主任

7 February 12, 2007 – Inter-Chamber Spring Festival Networking

SwissCham, MayCham, and CCBC hosted an exclusive inter-chamber networking event at CENTRO, Kerry Centre Hotel, to celebrate the Spring Festival during this new year of the "Golden Pig".

7 2007年2月12日– 跨商会新春交流酒会

中国瑞士商会，马来西亚商会和加中贸易理事会在嘉里中心酒店炫酷酒吧举办了一次交流酒会，在猪年来临之际，共庆春节。

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Mr. Yves M. Wehli
Company: ***The Solution Alliance Co., Ltd. Beijing Rep. Office***

SwissCham Shanghai 中国瑞士商会——上海

SWISS CHINESE CHAMBER OF COMMERCE

中国瑞士商会

Moving Notice

迁址通告

SwissCham Shanghai is proud to announce its office move to:

Shanghai Regus Silver Center
as of March 9th 2007

New Address:
Room 1710-1711
No.1388 Shaan Xi North Road
Shanghai 200060
P.R. China

2007 年 3 月 9 日起新址：
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Chamber Events 商会活动

February 6, 2007 – General Assembly of Swisscham Shanghai

The SwissCham Shanghai annual General Assembly (GA) was held in the evening of Feb. 6th this year at the prestigious Westin Bund Center. This major event was chaired by the former President of SwissCham Shanghai, Dr. Ren Zhanbing (Head of Greater China and Member of global Executive Committee of Bobst Group), who announced his decision of not standing for re-election of the President at this GA due to remarkably increased duty on his shoulder within his company, after three and a half years of Presidency for the Chamber. This event was the occasion for Dr. Ren to report the fruitful Chamber activities, including membership development, events organization and delivery, Bridge magazine publication as well as other valuable initiatives that took place within the Chamber over 2006.

Mr. Christian Guertler thnaks Dr. Ren Mr. Christian Guertler thnaks Dr. Ren

After the informative and comprehensive report of the Chamber activities, the former Treasurer of the Chamber, Dr. Andreas Himberger presented the financial statement, audit report for 2006 as well as the 2007 budget, which was then officially validated by the Chamber members present at the Assembly per our Bylaws.

Consul General Mr. William Frei announces the results of the elections

The exciting part of the evening came with the election of the 2007 SwissCham Shanghai Board of Directors (BoD), under the strict supervision of the Consul General of Switzerland in Shanghai, Mr. William Frei. Mr. Frei warmly thanked the 2006 BoD for their excellent steering and results in 2006, and then officially announced the names of the 10 new members, elected with an absolute majority: ***Christian Gürtler (President), Stephan Tietze, Matthieu Bonnici, Holly Gao, Nicolas Musy, Sigi Foehn, Daniel Heusser, Lennon Lau, Michael Lehmann, Remo Luetolf,*** and sincerely thanked Mr. Patrick Schaufelberger for his candidacy.

The Participants enjoy the interesting presentation

By bestowing a typical Swiss souvenir-a pewter's plate and two little but meaningful gifts in a very smart sense of humor to Dr. Ren Zhanbing, the newly elected President of SwissCham Shanghai, Mr. Christian Gürtler, warmly thanked Dr. Ren for his great commitment and valuable contributions over the past years to the Chamber. Then Mr. Gürtler shortly introduced the general guidelines for the Chamber in 2007, with the vision of building an always more professional and visible platform for the Swiss Business Community.

Dr. Ren Zhanbing selects the winners of the lucky draw

The evening then went on in a joyful atmosphere up to a climax of great fun-with the service of a delightful dinner, during which an auction of a business class ticket sponsored by Swiss International Air Lines was organized as well as a lucky-draw session sponsored by Dragonfly, The Body & Soul Medical Clinics, Jura as well as by the Top Mandarin School.

2007年2月6日 – 中国瑞士商会上海分会全体代表大会

中国瑞士商会上海分会年度全体代表大会（GA）于今年2月6日晚在享有盛誉的外滩中心威斯汀大饭店举行。本次重要活动由中国瑞士商会上海分会前主席任占并博士（大中华地区主席和博斯特集团全球执行委员会成员）主持。任博士宣布，在商会任职三年半之后，由于其在公司内的事务明显增多，他决定不在本次代表大会上再次竞选。 本次大会上，任博士报告了2006年以来商会举办的各类卓有成效的活动，包括会员，会议的组织和举办，《桥》杂志的出版，以及其它重大举措。

在全面地报告了商会活动的具体情况之后，商会前财长Andreas Himberger博士提交了2006年的财务报告、审计报告和2007年的预算报告，报告得到了出席大会的商会成员的正式批准。

晚会最激动人心的是随后的2007中国瑞士商会上海分会董事会选举工作。选举工作在瑞士驻上海总领事William Frei先生的严格监督下完成。Frei先生真诚地感谢了2006年度董事会出色的指导工作和工作成果，之后正式宣布了董事会以绝对多数选票当选的10位新成员。他们是，Christian Gürtler（主席）、Stephan Tietze、Matthieu Bonnici、Holly Gao、Nicolas Musy、Sigi Foehn、Daniel Heusser、Lennon Lau、Michael Lehmann,、Remo Luetolf，并真诚地感谢了Patrick Schaufelberger先生的参选。

新当选的中国瑞士商会上海分会主席Christian Gürtler先生极其机智幽默地向任占并博士赠与了一套特殊的瑞士纪念品—— 一件锡镴器皿和两件别有意义的小礼物，并对任先生过去几年来对商会工作的克尽职守和做出的重大贡献表示了热情的感谢。 随后Gürtler先生简短地介绍了商会2007年总方针，旨在为瑞士商业界建立更为专业、直观的长期平台。

晚上的大会在一片欢快的气氛中达到了趣味的高潮——晚宴上拍卖了一张瑞士国际航空公司赞助的商务舱机票，并进行了由上海唐沪咨询公司、身心佳中医门诊部、优瑞以及TOP Mandarin School赞助的幸运抽奖活动。

Chamber Events 商会活动

1 January 25, 2007 – Logistics, Export/Shipping and Purchasing Managers Roundtable

As announced in 2006, SwissCham Shanghai has initiated a series of roundtable events, expected to build a platform for senior professionals of foreign companies in Shanghai to exchange their views in small groups and to also discuss controversial issues in a private environment.

The Logistics, Export/Shipping and Purchasing Managers Roundtable took place on January 25th 2007 at the Regal International East Asia Hotel and was chaired by
Mr. Michael Zaugg from the Swiss company Zaugg Emballeur AG. Mr. Zaugg gave a speech on the subject: "ISPM No.15: Ingenious packaging (protection against corrosion and mechanical damage)".

After his presentation, discussion was launched among participants to share their opinions and experience on that subject. The evening was then concluded with a nice Western set dinner, which gave participants the opportunity to continue their individual networking in a very cozy environment.

1 2007年1月25日 – 物流、出口/运输和采购经理圆桌会议

自2006年宣布以来，中国瑞士商会上海分会已发起过一系列圆桌会议，希望在上海建立一个外企高级专业人员交流平台，以小组讨论的形式在非公开场合交流观点和并就有争议的问题进行讨论。

物流、出口/运输和采购经理圆桌会议于2007年1月25日在富豪环球东亚酒店举行，会议由来自瑞士Zaugg Emballeur AG 公司的Michael Zaugg先生主持。Michael Zaugg先生就"国际植物检疫措施第15项标准 新型包装（防腐保护和机械损坏保护）"这一主题作了演讲。

Michael Zaugg先生陈述完之后，与会者就会议主题交流了各自的观点和经验。 会议当晚在丰盛的西餐晚宴中结束，每名与会者都有机会在这片舒适惬意的环境中继续发展自己的人际网络。

2 January 30, 2007 – IT Conference "International Communication and Connectivity Solutions; How to stand up to the technical challenge?"

SwissCham intends to organize this year a set of conferences covering all IT-related topics that are of interest for the subsidiaries of Swiss companies in China.

This first IT Conference, chaired by Mr. Axel Douchin, CEO of Nexian and Mr. Emmanuel Orillard, GM of Pro-Concept Asia, was held at the Radisson Hotel Shanghai New World on January 30th 2007. The participants have had there the opportunity to talk about major weaknesses as well as solutions to optimize IT reliability in a sometimes very unstable environment. Some of the discussed technologies included Internet connections, servers, VPN, software, websites, etc.

After the informative presentations and lively discussion, the audience has afterwards continued their individual networking while enjoying the delicious dinner.

2 2007年1月30日 – "国际通信和连接解决方法：如何面对技术挑战？"IT会议

中国瑞士商会打算在今年组织一系列会议，内容涉及瑞士公司在中国子公司感兴趣的与IT有关的所有主题。

本次第一届IT会议由Nexian公司首席执行官Axel Douchin先生、普瑞概念亚洲有限公司总经理Emmanuel Orillard先生主持，于2007年1月30日在上海新世界丽笙大酒店举行。与会者均有机会就IT产业的主要弱点和解决方法进行讨论，以在有时环境很不稳定的情况下优化IT产业的可靠性。 会上讨论了网络连接、服务器、VPN、软件、网站等方面的技术。

在与会者作了内容丰富的陈述和活跃的讨论后，听众们一边享用丰盛可口的晚宴，一边继续各自的社交活动

3 February 2, 2007 – CFO Roundtable II

After the success of the first CFO Roundtable in November 2006, this second Roundtable was hosted and convened at the office of Roche Diagnostics (Shanghai) Limited on February, 2nd 2007.

This second meeting, aimed at a productive

sharing of experiences and perspectives among senior finance professionals in Shanghai on the subject “Talent retention in the Finance sector” and further brainstorming on how to organize future CFO roundtables with more participants.

After a short presentation given by Mr. Dindo Sy Chu from Roche Pharma sharing their experience on talent retention, a fruitful discussion started among participants, addressing both personnel topics and ideas for future events.

3 2007年2月2日 – 首席财务官圆桌会议II

继2006年9月第一届首席财务官圆桌会议成功举行之后，本次第二届圆桌会议由罗氏诊断产品（上海）有限公司主办，于2007年2月在其办公大楼召开。

本次第二届会议旨在以“金融业人才保留”为主题，让上海高级财务专业人员广泛交流自己的经验和看法，并进一步就将来如何组织有更多人员参与的首席财务官圆桌会议献计献策。

在来自罗氏制药的Dindo Sy Chu先生发表了简短的发言，交流了罗氏在人才保留上的经验之后，与会者展开了卓有成效的讨论，讨论内容包括人事方面的话题以及对将来活动的意见。

Board of Directors of Swisscham Shanghai

Picture	Name & Function
	Christian Gürtler President, National Representive
	Stephan Titze Vice-President, National Representative, Marketing Officer
	Matthieu Bonnici Secretary
	Holly Gao Treasurer
	Sigi Foehn Membership Officer

Picture	Name & Function
	Daniel Heusser Project Expo 2010 Officer
	Lennon Lau Event Officer
	Michael Lehmann IT Officer
	Remo Luetolf Event Officer
	Nicolas Musy National Representative "The Bridge" Officer

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Photo By Harley Zhang

Chamber Events 商会活动

1 December 4, 2006 – Christmas Charity Luncheon with the Swiss Association of Hong Kong

This joint luncheon was held on December 4, 2006 at The Ritz Carlton Hong Kong. Ms Christine Loh, CEO of Civic Exchange presented "Air Pollution in Hong Kong". Great prizes were won by participants and the lucky draw money was donated to Civic Exchange. Participants enjoyed the delicious luncheon and interesting presentation.

Members enjoyed the networking opportunity before the luncheon

(Left to right): Ms. Ashley Lau and Ms. Emily Chaw of Swiss International Air Lines; Mr. Silvan Colani of LGT Bank in Liechtenstein

(Left to right): Mr. Andrea Capol of Swiss Association; First Prize Winner, Mrs. Stella Seeholzer of Take Me; Mr. Enzo Cunico of Swiss Chamber Hong Kong; Ms. Christine Loh, Speaker and CEO of Civic Exchange

Ms. Christine Loh made the presentation

2 December 6, 2006 – Asia-European Business Disputes Conference "Arbitration in Switzerland"

Members were invited to attend the Asia-European Business Disputes Conference devoted to arbitration in Switzerland in Hong Kong. This Conference was held on December 6, 2006 by The Hong Kong International Arbitration Centre in conjunction with the Swiss Arbitration Centre.

Mr. Serge G Fafalen, Vice President of Swiss Chamber Hong Kong, was performing the role of the moderator

(Left to right): Dr. Bernard Meyer-Hauser of the Swiss Arbitration Association thanked Mr. Serge G Fafalen of Swiss Chamber Hong Kong

3 December 6, 2006 – Joint Chamber Luncheon with Invest Hong Kong

Members were invited to the Joint Chamber Luncheon with Invest Hong Kong on December 6, 2006 at the Island Shangri-La Hong Kong. Professor Michael Enright presented "PRD Study Update".

Ms. Irene Lo , Secretary General of Swiss Chamber Hong Kong

Members enjoyed luncheon and presentation

4 December 13, 2006 – Joint Chamber Mission to Macau

Members were invited to the Joint Chamber Mission to Macau on December 13, 2006 to explore business opportunities. The Mission visited Venetian Project; IPIM hosted lunch for the Mission and presented the "Latest Business & Investment Environment in Macau" and the Mission finally toured the production line of Sumitomo Bakelite Macau.

Participants visited Venetian construction site

Participants enjoyed presentation of Venetian Project

Participants enjoyed luncheon hosted by IPIM

5 December 15, 2006 – Christmas Cocktail 2006

Members were invited to the Christmas Cocktail organized by the French and the German Chambers on December 15, 2006 at Club No. 9, 3/F, The Galleria, 9 Queen's Road, Central, Hong Kong. Participants enjoyed food and wine tasting, unlimited drinks and snacks. There were Christmas gifts for all participants and lucky draw with fantastic prizes.

Members enjoyed the networking opportunity during the Christmas Cocktail

(Left to right): Ms. Florence Chan of Coutts Bank, Ms. Irene Lo , Secretary General of Swiss Chamber Hong Kong

6 January 8, 2007 – Monthly Luncheon with the Swiss Association of Hong Kong

This joint luncheon was held on January 8, 2007 at the Hong Kong Club. Mr Benjamin Pedley, Investment Strategist of LGT Bank in Liechtenstein presented "Outlook for Global Financial Markets in 2007". Participants enjoyed the delicious luncheon and interesting presentation.

Mr. Hans Kunz, President of the Swiss Chamber Hong Kong, made the opening remarks

Members enjoyed the luncheon

Mr. Benjamin Pedler, speaker and Investment Strategist of LGT Bank in Liechtenstein, made the presentation

7 January 17, 2007 – Joint Chamber Luncheon

Members were invited to the joint chamber luncheon on January 17, 2007 at The Hong Kong Bankers Club. Professor Yeung Yue Man, Director of Hong Kong Institute of Asia-Pacific Studies, CUHK, presented "A Status Report on Infrastructure Development".

Professor Yeung Yue Man made the presentation

8 January 29 , 2007 – Swiss Community Cocktail

Members were invited to the Swiss Community Cocktail organized by InvestHK on January 29, 2007 at The Hong Kong Club. Mr. Mike Rowse, Director-General of Investment Promotion, thanked the Swiss Community in Hong Kong for its support over the years, and introduced InvestHK's updated Swiss Community Handbook, which was designed to inform and attract Swiss company executives and their families who are considering relocating to Hong Kong. Joining Mr.Rowse at the reception will be Mr. Hans J. Roth, Consul General of Switzerland, Committee and members of the Swiss Chamber of Commerce in Hong Kong. This was a good networking occasion with plenty of food and drinks.

(Left to right): Mr. Hans J Roth, Consul General of Switzerland; Mr. Mike Rowse, Director - General of Investment Promotion - InvestHK, Mr. Serge G Fafalen, Vice President of Swiss Chamber Hong Kong and Mr. Mark Michelson, Associate Director-General of Investment Promotion - InvestHK

Mr. Hans J Roth, Consul General of Switzerland made the remarks

(Left to right): Mr. Enzo Cunico, Director of Swiss Chamber Hong Kong, and Mr. Guido Cherubini

9 February 5 , 2007 – Assessment Workshop

Members were invited to a workshop "Assessment Centre - an effective way to identify top talents" organised by True Colours and the Young Professionals. Susanne Sahli, Managing Director, and Lily Ting, Project Director, of True Colours shared their extensive working experiences on how to identify potential talents on the job market. The speeches and a broad Q&A session were very well received by a professional audience. Light refreshments were kindly sponsored by Gastro Primo.

(Left to right): Guest speakers Ms. Susanne Sahli, Managing Director, and Ms. Lily Ting, Project Director, of True Colours Ltd.

The workshop attracted a variety of professionals from the industry.

Upcoming Events

1 April 16, 2007 - Monthly Luncheon with the Swiss Association at 12 noon at the Hong Kong Club. Mr Max Burger will present private equity and investing in China.
For more details, please contact Ms. Irene Lo at tel no.: (852) 2524 0590
fax no.: (852) 2522 6956
E-mail: admin@swisschamhk.org

2 May 7, 2007 - Monthly Luncheon with the Swiss Association at 12 noon at the Hong Kong Club. Details have not yet been confirmed.

3 May 31, 2007 - Annual General Meeting and cocktail will be held at the Hong Kong Club at 6pm.

For more details, please contact Ms. Irene Lo at tel: (852) 2524 0590

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Logistics Solutions to China's Manufacturers

China has emerged as the world's manufacturing partner as well as the world's second largest trading nation and Panalpina China, a Switzerland-based company, with its discerning perspective and understanding on the supply chain industry has earned the reputation of one of the world's top freight forwarding and logistics companies.

Robert Timmerman
Regional CEO, Panalpina China/Taiwan

Panalpina's spirit of meeting the market needs combined with a worldwide network, modern IT-solutions and in-depth expertise form the basis for Panalpina's growth and ongoing success in China. The company has established its presence in the country since 1976. Over the past 30 years it has been progressing along with this emerging giant, handling import and export of garments, networking equipment, automotives to name a few.

"The Chinese market is rapidly growing and Panalpina benefiting from the soaring trading volume of China is actively expanding our team to continue our commitment on offering the best services to our clients," said Robert Timmerman, Regional CEO of Panalpina China/Taiwan.

Currently the company has over 29 offices across region of China and Taiwan and employs over 1,000 staff. Specializing on complex logistics tasks in automotive, healthcare, retail and fashion, hi-tech, oil and gas and special projects transport, it offers a full range door-to-door supply chain management solutions to meet every client's individual needs.

Cost Reduction Vs Cost Effectiveness

Panalpina provides effective logistics solutions and information solutions to the manufacturers with the goal to help them minimize costs. "As clients face increased pressure to reduce costs and inflation, they demand better prices and higher value services", said Timmerman. Panalpina procurement sources the best airlines and shipping lines for the clients. To streamline the working processes, Panalpina reviews the internal operation costs with the back of its in-depth industry knowledge and the state-of-the-art IT system solutions. In the vendor selection process, Panalpina ensures to have the most cost effective operating environment.

Panalpina understands that in this highly competitive and fast-moving world, clients need a partner they can trust with every aspect of their logistics and on whom, they can reply without question.

Sustained Demand for Logistics Solutions

Panalpina is able to strengthen its market position by renewing a number of major contracts and winning new businesses, with an increasing number of SMEs (Small and Medium-Sized Enterprises) joining the key global accounts in the Group's client base. Demand is also on the rise in the children's toys, consumer goods and petrochemical sectors.

The world of transport and logistics is complex and challenging. Panalpina's ability to provide globally tailored, integrated, door-to-door forwarding solutions is considered to be a seal of confidence.

"With a deep understanding of the global freight forwarding and supply chain industry embedded well with the local knowledge in China, the name Panalpina stands for customer orientation, innovation, flexibility,

quality, expertise and industrial competence," said Timmerman.

Continuous Growth

"China is now the focal point of all industries in the world and the soaring trading volume of Chinese economy creates enormous opportunities for logistics service providers to expand their presence," said Markus Muecke, Managing Director of Panalpina Pearl River Delta. On the back of the continuing upswing, Panalpina recorded double-digit rises across-the-board and some even impressive increases in air freight tonnages and ocean freight volumes in 2006. "Capitalizing on the buoyant Chinese economy we are actively expanding our number of offices in a few years in China in order to better serve our clients' needs," added Muecke.

Mounting demand from customers necessitated an extension of the office and warehousing premises in Hong Kong, a strengthening of the workforce in Guangzhou and Shenzhen and the leasing of a new warehouse in Yantain, Shenzhen. Additional 100%-owned branches were set up in Nanjing, Ningbo and Chengdu, with further start-ups planned for 2007.

"A passion for solutions and dedication to quality services is the underlying philosophy of Panalpina, leading the company to be one of the most preferred logistics partners to do business and trade with in China," said Muecke.

Reliable Model and Dedicated Staff

Panalpina adopts an asset-light model, which means the company does not have own aircraft, vessel or warehouse to fill. The asset-light model provides unrestricted access to virtually unlimited capacity and allows the company's central procurement and capacity management resources to work in partnership with best-in-class suppliers of scheduled and chartered carrier services.

The company's success also relies on its dedicated team of staff. "The logistics business depends largely on close cooperation between each individual. Panalpina's team of staff understands the urgency of our clients and is committed to offer a solution at all circumstances," said Muecke.

The development of Panalpina's business in China during the course of 30 years has highlighted the strength of the Panalpina Group in a perfect way. Although started with a small set-up in a then not very active market-environment, it has grown steadily together with its clients. The company has also been granted the A license, paving the path for a more successful future. Carrying on its three decades of legacy in China, Panalpina is set to prosper and grow in the decades to come.

PANALPINA
on 6 continents

SOLUTIONS FOR A COMPLEX WORLD
Panalpina's three core activities of expertise include Air Freight, Ocean Freight and Supply Chain Management. The company has developed a comprehensive suite of products and services within each of these specialist activities.

Air Freight
With its global Air Freight network of hubs and sub-hubs, combined with its Road Feeder Service or Ocean Freight connections, Panalpina is able to offer clients a door-to-door delivery anywhere in the world.

Ocean Freight
Ocean Freight is another strong business arm of Panalpina whose comprehensive Ocean Freight services are back by the expertise of local teams, who apply their up-to-the-minute insights into local conditions to reduce the risk of administrative delays.

Supply Chain Management
Combining its experiences of Air Freight and Ocean Freight with the global coverage provided by hub and sub-hub structures and integrated Road and Rail Feeder Network, Panalpina is able to provide an end-to-end service designed to meet specific requirements of the most complex integrated global supply chain.

Source: China Business Guide 2007

专为中国制造商而设的物流方案

中国现已发展为全球各国的产品制造伙伴，也是世界第二大贸易国。总部设于瑞士的泛亚班拿中国独具慧眼，对供应链业界了如指掌，凭着远见卓识赢得世界货运物流企业翘楚的美誉。

泛亚班拿中国/台湾
地区行政总裁罗伯特

泛亚班拿矢志迎合市场需要，企业凭着这份精神，透过广阔的环球网络、现代化信息技术方案和深厚的专业睿智在中国发展，业务蒸蒸日上。泛亚班拿早于1976年便进军中国市场，过去三十年来与这个新兴强国同步并进，为中国的进出口业界提供物流服务，代客户运送成衣、网络设备以至汽车等各类产品。

泛亚班拿中国/台湾地区行政总裁罗伯特透露：“中国市场正值高速增长，泛亚班拿乘着中国贸易量锐升的优势，积极扩展业务团队，继续履行承诺，为客户提供最卓越的服务”

泛亚班拿目前在中国及台湾地区设有超过29个办事处，雇员超过1,000人。公司擅长承接复杂的物流项目，服务行业包括汽车、医药保健、零售及时装、高科技、石油及天然气，此外也专营特别运输项目，可提供多样性的门到门供应链管理方案，全面满足客户的需要。

节省成本对比成本效益

泛亚班拿的目标是协助制造厂商节省成本，为他们提供效益高超的物流方案和信息方案。罗伯特表示：“客户省减成本和抗衡通胀的压力愈来愈沉重，他们要求收费更廉宜、价值更高的服务”泛亚班拿采购部可提供最佳的航空公司及船运公司供客户选择。为精简工作流程，泛亚班拿运用丰富的业界知识和尖端的信息技术系统方案，不断检讨内部营运程序。选择服务供应商时，泛亚班拿的首要目标是确保营运环境达到最高的成本效益。

泛亚班拿深明现今商业社会竞争剧烈、瞬息万变，客户需要一个诚可信赖的伙伴，代他们妥善筹谋所有物流事务，让他们安枕无忧。

物流方案需求持续殷切

泛亚班拿成功续订多份重大承包合同和争取新业务，而近年成为该公司全球重要客户的中小企业也愈来愈多，因此市场地位日益巩固，此外玩具、消耗品和石化业客户亦有所增长。

运输物流的营运环境相当复杂和充满挑战。泛亚班拿可提供环球特订、整合、门到门货运方案，这些服务是客户的信心保证。

罗伯特说：“我们以环球货运和供应链业界的丰富知识，结合中国市场的地方智慧，令泛亚班拿成为响亮的名字，代表以客为本、勇于创新、灵活变通、质量至上、专业睿智和行业技术”

持续发展

泛亚班拿珠江三角洲董事总经理苗茂杰透露：“现时全球各行各业的目光都凝聚于中国。中国经济的贸易总量正大幅上升，为物流服务供应商带来无限机遇，让他们锐意扩展中国业务”在中国经济持续发展之际，泛亚班拿中国物流业务2006年均录得双位数增长，空运吨数和海运量增幅更特别明显。苗茂杰续称：“我们乘着经济蓬勃发展，计划在未来数年锐意扩展中国办事处网络，从而为客户提供更佳的服务，全面满足他们的需要”

由于客户需求日增，泛亚班拿必须扩展香港的办事处和仓库，同时在广州及深圳增聘人手，另在深圳盐田租用全新仓库。此外，公司已在南京、宁波及成都设立分公司，2007年将有其它新分公司开业。

苗茂杰说:“泛亚班拿的核心宗旨是构思完美方案和提供优质服务，我们凭借这份信念成为在中国营商贸易的首选物流伙伴”

可靠的业务模式　特派专责人员

泛亚班拿采用不设固定资产模式运作，即公司不会自置飞机或货船，不用确保这些运输工具满载。这套不设固定资产模式可让公司不受限制地发挥无尽的运载能力，还可让集中采购及舱位管理部门与世界最佳伙伴合作，营办定期航班及包机运输项目。

泛亚班拿另一项成功要素是它拥有一支竭诚尽职的队伍。苗茂杰指出:“物流业很讲求个人紧密合作。泛亚班拿的员工体谅客户时间表紧迫，矢志提供最佳方案，以迎合任何业务的情况”

泛亚班拿过去三十年来不断发展中国业务，这是集团雄厚实力的最佳印证。泛亚班拿初期在中国只是小规模经营，当时中国市场正处于蓄势待发的阶段，多年来与客户同步成熟增长，此外并获政府颁发牌照，现已准备就绪全力拓展业务。泛亚班拿与中国的渊源历三十年，刻下正蓄势在未来数十载创造欣荣，使企业更大更强。

PANALPINA
on 6 continents

完善方案　助您驾驭复杂的商业环境

泛亚班拿擅长的三大核心业务是空运、海运及供应链管理。公司备有特为专门业务而设的全系列产品及服务。

空运

泛亚班拿拥有由多个集散中心和分支机构组成的环球空运网络，配套完善的陆海空多式联运服务或海运接驳，可在世界任何地点提供门到门服务。

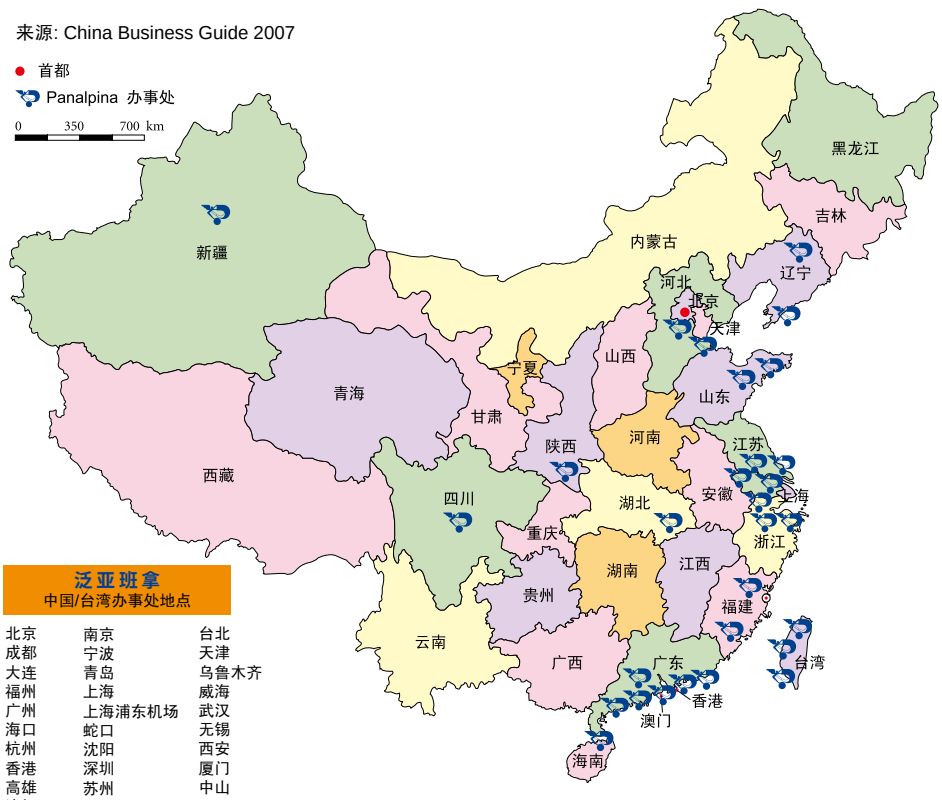
海运

海运是泛亚班拿另一强项。公司的全系列海运服务由专业知识深厚的地方职员办理。他们时刻掌握最新的地方市场状况，尽量避免出现行政延误。

供应链管理

泛亚班拿拥有空运及海运方面的丰富经验，配合各集散中心和分支机构、整合公路及铁路联运服务创造环球覆盖网络，即使客户的综合环球供应链项目如何复杂，也能达到严格要求，提供完善的点到点服务。

来源: China Business Guide 2007



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广州	上海浦东机场	武汉
海口	蛇口	无锡
杭州	沈阳	西安
香港	深圳	厦门
高雄	苏州	中山
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www.myswitzerland.com.cn
(Swiss Tourism Website 瑞士旅游局网站)

www.swissinfo.org
(Information website about Switzerland, available in Chinese language 瑞士相关信息网站，中文版)

www.sinoptic.ch
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