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APEC Summit in Shanghai

During the week from the 15th to the 21st October the yearly APEC meetings were held in Shanghai, leading to the summit on the weekend of the 20th/21st of October. The event was marked by tight security, three wards of the city were completely sealed during certain periods of the Conference days. The People's Republic of China and the city of Shanghai were not stingy – the event must have cost around 40 million US$. But the gain in China's image as well as the one of this coastal city was well worth the investment, though other members of the organization might wonder whether they would like to repeat the event on this scale in the years to come.

APEC is a very young economic body, it was formed by 12 members in 1989 and the APEC meeting in Shanghai was only the 13th meeting, the summit was the 9th held since its foundation. The summit has shown again that the loose form of the organization is perfectly shaped for the heterogenous body of its members. On the other hand it became evident too, that this form presents considerable weaknesses when trying to realize the aims and views stated in the different discussions and statements. With still only a Secretariat in Singapore, the organization can not be compared to the EU or to NAFTA. But having said that, APEC does remain the only organization which has successfully built a bridge between North and South. It is therefore not surprising that under actual regional and global economic conditions the discussions about common strategies for liberalization and growth have marked the meetings on different levels. It was one of China's diplomatic success that the American engagement for a fight against terrorism was not dominating the summit as such (though this was the impression one got when reading the American Press) and that the main topics on the APEC agenda were followed as usual.

The final declaration of the leaders urges a next WTO Round. This is remarkable on the one hand, given the different ambitions of industrialized and developing countries in APEC. On the other hand the declaration has again underlined the need to reduce the gap of income and wealth between developed and developing countries, one of the key issues in the organization. For the first time in APEC's history the declaration of the 9th summit has included a political statement, condemning terrorism in very clear words. This fact is important, as the declaration was also supported by the Muslim members of APEC. The reason may well lie in the fact that the multi-ethnic nations of South-East Asia nearly all struggle with some kind of ethnic or religious uprisings with strong tendencies to terroristic activities.

The loose form has given rise to many judgements about APEC, from remarks about a purely formal and not very efficient organization to a geostrategic forum with a considerable weight. But in the end, reaching the Bogor aims (trade liberalization by industrial members until 2010 and by developing nations by 2020) for instance, is not even that important. The value of the organization is given by the regular meetings among officials on different government levels and, probably even more important, by the network created among the business leaders of the region. APEC has not only grown out of a private business initiative, but has had the foresight to create an ABAC (APEC Business Advisory Council), which is usually holding meetings along the APEC summit as well. The presence of 400 CEO's of top global or regional companies might in itself have been a valuable event in this global world, where getting to know each other is more important than anything else.

Hans J. Roth
Consul General of Switzerland
in Shanghai, PR China

Activity Report

Dear Members, dear Readers

Since our last publication a series of dramatic events have changed our lives worldwide and in Switzerland in specific. Many plans had and still have to be adapted. The Chamber too had its turbulent times after the China Mission planned for mid November had to be postponed due to time factors.

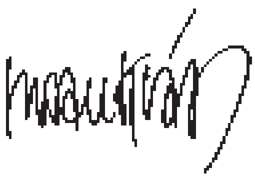
Yet, there is no return and one must go on: Together with the State Secretariat of Economic Affairs (seco), the State Secretariat of Science and Research (GWF) and the Swiss Federal Offfice for Professional Education and Technology, the Chamber organized a full day "Preparatory Seminar" on November 12 for the 50 business and 30 science representatives who have registered for and shown interest in the Mission. Over 100 participants attended the high-ranking seminar with State Secretary Charles Kleiber, Ambassador Jörg Al. Reding, Counsellors Jürg Lauber and Gérard Burgermeister from the Embassy of Switzerland in Beijing as well as Consul General Hans J. Roth from the Swiss Consulate in Shanghai. The event took place at the ETH Zurich and was joined by its rector Prof. Konrad Osterwalder. Besides the presentations in the morning, participants could discuss in groups in regard to the planned workshops or register for individual company talks in the afternoon.

Two days later, over 70 members and guests of the Chamber attended another highlight event with Jürg Lauber presenting the current economic situation in China and Hans J. Roth giving an insight into the cultural challenges for Swiss representatives doing business in China.

Meanwhile, a historic event took place at the ministerial conference in Doha, Quatar: The working party on China's accession formally approved an 800-page technical document, effectively sealing the deal on China's bid to join the WTO.

On behalf of the Board, I would like to thank the superb speakers, the many participants for their interest and all those who are continuously supporting the Chamber and its activities.

Wishing you time of rest and joy during the holiday season,



Susan Horvath
Managing Director
Member of the Executive Board

Season's Holidays

During the holidays the Chamber's office in Zurich remains closed from December 21st 2001 until January 4th 2002.

China Mission 2002

Opportunities in Environment and Health Technology

Official Swiss delegation to China led by State Secretary Dr. David Syz together with State Secretary Dr. Charles Kleiber and Director Eric Fumeaux

The delegation will also be accompanied by a Nobel Laureate.

9th to 15th June 2002

Beijing and Shanghai

The registration form will be sent to you by mail in January 2002.

For further information, please contact the Chamber
Phone 01-421 38 88
Fax 01-421 38 89
e-mail horvath@sccc.ch

Next Event 2002

Individual Business Consultation

January 28 and 29, 2002

with
Erwin Lüthi
Embassy of Switzerland, Beijing
Freda Wang
Consulate General of Switzerland, Shanghai

CHF 250.- Non-Members
CHF 210.- Members
(approx. one hour consultation)

at osec business network Switzerland
Stampfenbachstrasse 85
Zurich

Details will follow in due time by osec.
For further information contact the Chamber or Alfred Rechsteiner at osec,
Tel. 01-365 54 82.

New Board Member in Beijing

For professional reasons, Mr. Jeffrey Brown, formerly General Manager of swissôtel Beijing, retired from the Board of the SCCC Beijing. We thank Jeffrey for the extraordinary enthusiasm and support he extended to the Chamber, and we wish him all the best for his future journey through the hotels of this world.

Jeffrey has been succeeded Mr. John Vouillamoz, who was kind enough to accept our invitation to join the Board of SCCCBEI. John is the Executive General Manager of the Sino-Swiss Hotel Beijing Airport (which some of you may remember as the Mövenpick Hotel) and has been a dedicated Members of the SCCCBEI for many years. We are very happy to have him with us and look forward to many new ideas and projects we shall together device and implement. Below his CV:

Education and Diploma

- Cornell University, Ithaca, New York, USA
  Five weeks study: Increase profitability of rooms, Yield management, Pricing strategy, Marketing management, Financial analysis and decision making
- Underwood Business College (Bournemouth England)
  Computing and programming Certificates
- Vieux Bois (Geneva Switzerland)
  Hotel Management School Diploma
- Tame Academy (Sion Switzerland)
  Commercial Academy Diploma

Professional Experience and Study

1999	Sino-Swiss Hotel Beijing Airport
96–99	Aden Hotel Movenpick
1996	Cornell University, Ithaca, New York, USA
95–96	Heliopolis Movenpick Hotel and Casino
93–94	Holiday Inn Crowne Plaza Beijing
89–92	The Palace Hotel Peninsula Group Beijing
1989	Underwood Business College England & Zaccari English College
87–89	The Fisherman's Lodge Restaurant and Dancing Nautic Zurich
82–87	The Nova Park Hotel Zurich
81–82	Hotel School of Vieux Bois Geneva
80–81	Tame Academy / Trade School / Switzerland
77–80	Hotel Pierre des Marmettes Switzerland

The Board of SCCCBEI

New Members

since September 2001:

Zurich

Beau Rivage Palace S.A	Lausanne
HUANG Ruey-Jiuan	Rüschlikon
LONGLITE Technologies AG	Münchenstein
Mrs. Balkanyi-Nordmann Nadine	Zürich
Strässle-Collection Intercollection Development SA	Kirchberg/SG
Swissina AG	Basel
BUCHERER AG LUZERN	Zürich
Bodenschatz AG	Allschwil

Geneva:

Mr. Lan ZUO GILLET	Préverenges

Survey Results

How Swiss Companies in China Assess their Business Environment

65 Swiss companies operating in China participated in a survey on their current business environment. The companies gave above average marks with regard to their relations with the various government agencies and seem generally happy with their local workforce as well as with labor relations. On the other hand, they widely criticized lack of transparency of the PRC's laws and inconsistent law enforcement coupled with local protectionism. Foreign exchange controls, import/export regulations and technology transfer procedures are other areas where many companies encounter severe difficulties.

In spite of the difficulties the companies have to face in their business environment, most of them are optimistic about their business outlook and hold ambitious plans for their future business development in China.

It should be noted that none of the difficulties revealed in this survey pertain exclusively to Swiss companies, as all of them may be encountered by any foreign invested company and most of them in equal measure (or worse) by the Chinese competition.

In preparation of the 15th Session of the *Mixed Commission Switzerland-China*, the Embassy of Switzerland in Beijing and the Swiss Consulate General in Shanghai distributed a questionnaire among approx. 220 Swiss companies operating in China, in order to give them the opportunity to comment on the circumstances and challenges they face while doing business in the People's Republic of China. 65 companies returned the filled-in form. While this does obviously not constitute a widely representative survey, it certainly does give some interesting insight in how Swiss companies perceive their PRC business environment.

A vast majority of the companies who responded are located in the regions of Shanghai/Yangtse (46 companies) and/or Beijing/Tianjin (19 companies). 38 companies indicated to be of large size (>500 employees worldwide), while only 23 small and medium sized companies answered the questionnaire. 43 companies are doing business in the industrial sector, 15 companies in the service sector.

The companies are in general very positive with regard to **Business Results and Outlook**. While expectations for the current year are slightly lower than the Year 2000 results, long-term perspectives seem to look promising for everyone. 51 companies saw profits improved in the year 2000 (compared with 1999), and 44 companies expect to top last year's results in 2001. 49 companies hold an optimistic business outlook over the coming five years, 15 remain neutral and only 1 company is pessimistic. 55 companies plan to expand operations in China and 10 want to keep it on the same level while none indicated an intention to reduce or even stop their China operations.

The companies obviously experience some problems with regard to various aspects of the **Rule of Law**. They are particularly critical about the transparency of laws and regulations and about the consistency of law enforcement. Many companies expressed limited confidence in the judiciary's competence and independence, and two thirds are concerned about interference of unpublicized internal regulations and personal relationships. On the other hand, a clear majority of companies seem to go unscathed from breach of contract by business partners and about as many think that the level and availability of legal services are good (7 companies) or at least satisfying (34 companies).

Many of the questions asked with regard to **Labor and Benefits** found an even number of answers in the b ("satisfying") and c ("cause for concern") category. Most of the companies enjoy good relations with the labor authorities, and only 4 companies indicated problems in their labor relations. 34 companies criticized insufficient advance notice of public holidays. About half of the companies notified concern about the availability of professionally qualified local staff.

Not surprisingly, a clear majority of companies are unsatisfied with the respect for **Intellectual Property Rights** and with the prosecution of IPR violations. Furthermore, a number of companies complained about relations with the State Intellectual Property Office and half of the companies concerned criticized patent registration and enforcement procedures.

While answers to the questions asked with regard to **Technology Transfer** are not particularly negative, all is not well considered that technology transfer is an essential element of most business operations originating from foreign direct investment. For instance, a majority of companies concerned complained about the practicability of technology licensing regulations as well as about the tax burden on licensing fees.

Most of the criticism over **Taxation** concerns transparency of the tax system and consistency of tax law enforcement and thus corresponds with what was said above with regard to the rule of law. 8 companies considered the efficiency and fairness of tax collection to be very problematic. Taxation of representative offices was identified as a cause for concern by 18 and as very problematic by 7 companies. Meanwhile, a clear majority of companies (33 against 20) had no complaints about tax procedures for expat employees.

In **Government Procurement**, transparency of procedures and notice of opportunities were deemed unsatisfactory by a majority of companies. Half of the companies complained about domestic preference policy, and 19 companies said they were unsatisfied about domestic content requirements.

According to the companies' response, **Residence Permits, Work permits and Visa** are the least problematic of all the categories in the questionnaire. This also pertains to the visa needed by Chinese citizens for their travel to Switzerland. With regard to the other way round, one company complained in particular that visa applicants have to go personally to the Chinese Embassy in

Bern (or the Consulate General in Zurich) to obtain a visa for business travel to China.

Many companies considered **Environmental Protection** to be a cause for concern (29 companies) or indeed very problematic (17 companies), while 19 companies found the situation still satisfying. The companies were quite critical with regard to information about existing laws on EP, consistency of law enforcement and clarity of jurisdiction.

A couple of companies added specific comments stressing the point that the field of **Import/Export and Distribution** poses various problems. Much of this has to do with the fact that companies are not free to distribute their products within China. Also, trade barriers are not only perceived by companies who want to export their products to China, but also by foreign companies located in China who need to import raw materials for their local (value added) production. This notwithstanding, a clear majority of companies considered their relations with the import inspection authorities to be good or at least satisfying, and almost as many companies found the level of distribution logistics and sales companies good or at least satisfying.

Four questions in the last category (Various) stand out, as the answers they received indicate that companies experience great difficulties. 22 companies find the **foreign exchange controls** a cause for concern, and 17 companies judge them to be very problematic. 34 companies complain about **local protectionism** (10 of which find it very problematic). **Banking services** are judged a cause for concern by 19 companies and very problematic by 13 companies, while **insurance services** fare little better. Finally, the so called **"receivables"** (a euphemism in most cases, as the correct label would read "unreceivables") score the highest number of d-answers, as 19 companies find this issue very problematic, while an additional 17 companies see cause for concern.

The questionnaire also asked a specific question with regard to an issue of social insurance. China and Germany recently reached a bilateral agreement on **mandatory social insurance payments**. According to the pact, German businesses in China and their employees who have German passports will not be required to pay endowment insurance and unemployment insurance. 41 companies showed interest in the conclusion of a similar agreement between Switzerland and China, while 13 companies felt it was of no interest to them.

Jürg Lauber
Counsellor
Head of the Economic and Trade Section
Embassy of Switzerland in Beijing

For a detailed results overview please contact the Chamber at info@sccc.ch

The SCCC Shanghai: A New Chamber in Shanghai

Following its approval by the relevant authorities on December 22, 2000 the Swiss Chinese Chamber of Commerce started its Shanghai activities on March 22, 2001 and completed the organizational setup on November 2, 2001 by hiring a permanent Executive Director, Ms Stella Nie who previously worked as a supervisor for Swissair Shanghai.

We are pleased to present the Shanghai organization as follows:

Stella Nie	**Executive Director**
Peter A. Marti, Credit Suisse	**President, National Representative**
Ted Xia, Mettler Toledo Shanghai	**Vice-President**
Alfred Bergbauer, Winterthur Insurance	**Treasurer**
Philippe Zwahlen, Swiss Center Shanghai	**Secretary**
Christian Guertler, SKW-MBT China	**Member, National Representative**
Nicolas Musy, Nove Marzo China	**Member, National Representative**
John Barnes, Syngenta China	**Member**
William Keller, Roche China	**Member**
Rene Reiser, Luwa-Forward Air Engineering Ltd.	**Member**
Ren Zhanbing, Bobst (Shanghai) Ltd.	**Member**

The foundation of the Swiss Chinese Chamber of Commerce marks another milestone in the development of Swiss Chinese business relations. Appreciating the importance of the Shanghai Region for the development of the country as well as for Swiss investments the Swiss Chinese Chamber of Commerce responded with its Shanghai organization to an increasing demand for a common platform serving Swiss and Swiss investment related interests. Furthermore, the Swiss Chinese Chamber of Commerce Shanghai is looking forward to an active cooperation with Chinese authorities and organizations, other chambers, organizations and individuals.

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A New Expo Center for Shanghai

Shanghai will finally get an Exhibition Center that meets international standards: The Shanghai New International Expo Center (SNIEC) is a joint venture between Shanghai Pudong Land Development (Holding) Corporation and the German Exposition Corporation International (GEC). GEC's partners are the leading trade fair companies in Düsseldorf, Hanover and Munich providing their extensive exhibition know how. Incidentally this is the first ever-collaborative venture by Germany's three largest trade fair companies, who are actually competitors in their home markets.

Phase I of the SNIEC is due to open in November 2001 comprising of four halls with an area of 65.000 m^2 and an investment of US$ 99 million. The eye-catching Exposition Halls, designed by the Chicago Architects Murphy/Jahn, are state of the art offering high functionality and efficiency, making it the best center in China. For example: The entire exhibition area is on ground floor level and column free giving flexibility to the exhibitors. Services like electricity, gas and water are provided through underground supply shafts – a novelty in China.

A distinct advantage is that SNIEC is qualified to act as a local partner for foreign exhibition companies. As it is mandatory to have a partner these are welcome news – such partnerships have been a constraint in the past as the local company may have had a different agenda.

SNIEC provides sufficient space for larger events doing away with the split up into various smaller facilities in Shanghai. The Center already has lined up several big events when opening in mid November starting with an exhibition for Power Transmission & Controls, followed by a Transport and Logistics Show, the Shanghai Industrial Fair (China's only comprehensive Industrial Fair) and the Shanghai Motor Show. International organizers like Adsale, Hong Kong with its Rubber & Plastics Show; Miller Freeman, USA with a Furniture Exhibition and Montgomery, UK with a Packaging & Processing Show will follow next year.

"We have a good chance to attract shows from other cities like Beijing and Guangzhou to move to our Center", emphasized Mr. Waldkirch, General Manager of the Center. Well, competition is healthy.

Source: Fiducia Newsletter

New Liaison Office of World Bank Group at SOFI

To support the development of the private sector in developing and transition countries, the World Bank Group, through its member agencies, proposes a range of financial products and risk mitigation instruments, which are of direct interest to firms doing business in the developing world. To strengthen the relationship between the World Bank Group and the Swiss private sector and make these business cooperation opportunities better known, the World Bank Group has newly entered into partnership with SOFI to create a Private Sector Liaison Office in Switzerland acting as "door-opener" for Swiss companies looking for financing by the World Bank Group.

Swiss entrepreneurs and companies investing in emerging market countries face a number of challenges in the structuring of their investment projects, among others in terms of financing and risk management. The World Bank Group, with its two main private sector arms – the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) – proposes a range of products accessible to Swiss SMEs and larger companies.

The IFC is the largest source of financing for private sector projects in developing and transition economies. It provides equity, quasi-equity and debt finance to entrepreneurs, companies, and financial institutions in developed and developing countries interested in starting a venture or expanding an existing enterprise. In the case of equity or quasi-equity finance, IFC is never the largest single shareholder and does not take an active role in company management.

The financial products offered by IFC are tailored to meet the needs of each project, but its financing is generally limited to not more than 25 per cent of project costs. Investments in small and medium projects range from US$ 100,000 to US$ 1 million and in standard-size projects from US$ 1 million to US$ 100 million. To be eligible for financing, a project must be in the private sector and must be financially, economically, environmentally, and technically viable and conform to host country and World Bank guidelines.

MIGA provides investment guarantees (i.e. political risk insurance) to foreign investors for their projects in developing and transition countries. These guarantees can cover the risks of currency transfer restrictions, expropriation, breach of contract, and war and civil disturbance. MIGA can insure new cross-border investments originating in any of its member countries that are destined for any of its developing and transition member countries. New investment contributions associated with the expansion, modernization, or financial restructuring of existing projects are also eligible, as are acquisitions that involve privatization of state-owned enterprises.

To assist Swiss companies to gain access to these financial products and risk mitigation instruments of IFC and MIGA, the World Bank Group has entered into partnership with SOFI – the Swiss Organisation for Facilitating Investments – to become its Private Sector Liaison Office in Switzerland. Acting as "door-opener", SOFI supports Swiss companies in entering in cooperation with the World Bank Group and developing the right contacts within the institution.

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Email: avoyer_pierre-alain@sofi.ch
Website: http://www.sofi.ch

The Sino-Swiss Joint Venture Fund Management Company

China Development Bank (CDB) and Swiss State Secretariat for Economic Affairs (Seco) signed a joint venture contract for the establishment of the first Sino-foreign joint venture fund management company to be established in the People's Republic of China. The company will establish and manage investment funds and provide investment advice as well as services for investment funds.

Source: Embassy of Switzerland

Switzerland – Gateway to Europe

On October 12 2001, the Embassy of Switzerland hosted a seminar at the Kerry Centre Hotel in Beijing promoting Switzerland as a business location to Chinese companies, government agencies and individuals. More than 60 participants attended the event (organizing staff and speakers not included), demonstrating their keen interest in the subject. A host of Swiss and Chinese keynote speakers introduced Switzerland's general business and tax environment as well as specific areas in which Swiss companies have globally acknowledged excellence, namely financial and legal services. In the second part of the Seminar, participants were able to get more information and practical advise about doing business in Switzerland through a series of workshops.

The large number of participants clearly surpassed the organizers' expectations. Their keen interest proves that the time is right to promote Switzerland as a business location in China. The Embassy and the Consulate General in Shanghai intend to organize other events of this kind in the near future.

Workshops

1. Mr Paul Thaler (Wenger Vieli Belser)
Advantages of Swiss Corporate (i.e. Holding) and Financial Structures, incl. Tax Privileges

2. Dr Urs Gut/Ms Luo Rongping (Wenger Vieli Belser)
Negotiation, Contracts and Dispute Resolution (i.e. Arbitration) of international Companies in Switzerland

3. Dr Urs Buchmann (Credit Suisse)
Access to European Capital Markets

4. Ms Rebecca Luo (Société Générale de Surveillance – SGS)
Standards, customs procedures etc.

5. Mr Walter Landolt (IMPACT)
Corporate Identity – Your first step to doing business in the West

New Booklet: Switzerland – Gateway to Europe

Thanks to the support of Presence Switzerland (PRS), the Embassy was also able to present a new booklet carrying the same title as the Seminar. The 32-page bilingual (Chinese/English) brochure includes basic information on Switzerland's economic, corporate and personal environment for foreign business people and investors. It is in fact a condensed version of the Handbook published by Location: Switzerland (Seco).
Copies of the new booklet can be obtained from the Swiss Embassy in Beijing or the Consulate General in Shanghai. The booklet is also available as a pdf.-file from our WebSite (http://www.swisschinacham.org/gateway.html).

7.6% Growth despite Global Slowdown

China's economy grew by 7.6% during the first three quarters of this year compared with the same period last year, according to the National Bureau of Statistics. The country's GDP reached US$ 810 billion. Fixed asset investments totalled US$ 256.7 billion, an increase of 15.8%. Retail sales of consumer goods reached US$

Bilateral Trade between Switzerland and China

January – September 2001 (in Mio. CHF)

CHINA (mainland)	Exports from CH	change %	share %	Imports to CH	change %	share %
Total	1.248,3	26,1	100,0	1.769,5	0,8	100,0
Agricultural Products	6,5	-22,2	0,5	90,4	-5,0	5,1
Energy carriers	0,1	-24,1	0,0	0,3	5,6	0,0
Textiles, apparel, shoes	19,3	-5,4	1,5	575,8	-6,0	32,5
Paper, paper products, printed matter	4,3	18,2	0,3	8,1	12,5	0,5
Leather, rubber, plastics	12,1	48,1	1,0	111,3	2,4	6,3
Chemicals, pharmaceuticals	243,1	-4,7	19,5	193,4	11,1	10,9
Construction materials, ceramics, glass	5,7	187,2	0,5	15,7	-1,3	0,9
Metals and metal products	46,1	50,4	3,7	77,5	7,4	4,4
Machinery, appartus, electronics	784,9	40,4	62,9	307,6	2,6	17,4
Vehicles	15,5	93,6	1,2	20,9	75,6	1,2
Precision instruments	73,7	58,4	5,9	48,7	44,4	2,8
Watches	26,0	-25,3	2,1	132,0	16,0	7,5
Other Goods	11,0	-15,6	0,9	188,0	-10,5	10,6
Total Trade	3017,8					
Trade Balance	-521,2					

Hong Kong	Exports from CH	change %	share %	Imports to CH	change %	share %
Total	3.057,5	4,3	100,0	521,5	-18,9	100,0
Agricultural Products	21,5	-1,9	0,7	2,6	44,1	0,5
Energy carriers	3,4	-42,6	0,1	0,0	-100,0	0,0
Textiles, apparel, shoes	63,1	49,4	2,1	52,3	-16,6	10,0
Paper, paper products, printed matter	8,4	-50,5	0,3	2,2	12,0	0,4
Leather, rubber, plastics	40,6	-2,3	1,3	4,0	-0,7	0,8
Chemicals, pharmaceuticals	320,4	3,9	10,5	4,0	46,3	0,8
Construction materials, ceramics, glass	12,6	17,6	0,4	0,9	-33,5	0,2
Metals and metal products	44,6	8,0	1,5	8,7	22,2	1,7
Machinery, appartus, electronics	274,3	4,1	9,0	60,5	-20,1	11,6
Vehicles	1,3	-14,7	0,0	0,4	57,8	0,1
Precision instruments	55,1	16,0	1,8	12,1	-0,9	2,3
Watches	1.103,0	9,2	36,1	245,8	-3,7	47,1
Other Goods	1.109,2	-1,1	36,3	127,9	-41,2	24,5
Total Trade	3579,0					
Trade Balance	2536,0					

Total (China incl. Hong Kong)	**4305,8**			**2291,0**		
Total Trade	**6596,8**					
Total Trade Balance	**2014,8**					

Source: Swissmem

322.8, an increase of 10.1% year-on-year. Consumer prices rose 1%, the same rate as last year. Industrial output rose 10.3%, hitting US$ 237 billion.

Despite these increases, overall growth is slowing as the stagnating US economy is having an effect on China and the rest of the world. Much of China's goods are exported to the United States, and these exports are beginning to suffer. Total foreign trade in the first nine months was US$ 376.37 billion, up 9% from last year. Exports were US$ 194.98 billion, up 7% from last year. Imports reached US$ 181.39 billion, up 11.15%, resulting in a trade surplus of US$ 13.59 billion. This year's surplus is thus likely to fall short of last year's US$ 24.1 billion. Imports and exports related to foreign-funded enterprises increased by 11.1% to US$ 189.76 billion, accounting for 50.4% of the total trade volume.

MOFTEC statistics indicate that China used US$ 32.2 billion of foreign direct investment in the first eight months, an increase of 20.7% from the same period of last year. FDI contributes about 20% to the fixed assets investment, which in turn represents about 30% of GDP.

Tax departments across the nation collected US$ 143.6 billion of tax revenue during the first nine months, an increase of 24.2% from last year. Value added tax, consumption tax were the main contributors. China plans to gradually shift its value-added levy from production to consumption. The scope of consumption taxes will expand to cover more goods and services.

The Chinese government will continue pumping money into the economy to sustain demand. The cash is being spent on raising government salaries, improving infrastructure and cleaning up ecological damage. The Finance Minister recently indicated that in 2002 the government will inject a further US$ 18.1 billion into the economy.

Summary by Paul Wyss

Growth Goal Likely as World Bank Lowers China's GDP Forecast

In an economic assessment report, the World Bank expected China's GDP to grow by 7.0% this year, compared to the originally predicted rate of 7.3%. The bank expected China's exports growth to dwindle in the second half of the year in the light of slowing global demand but it said high investment and strong private consumption will still support a favorable economic outlook in China. "WTO accession and the 'Olympic effect' are expected to have positive effects on investment and expectations (in China), more than enough to offset the negative global effects that are expected to flow from the September 11 incidents." China's resilience comes from its vast internal market and low dependence on the high-tech sectors.

Source: China Daily

Recent Foreign Investments / Joint Ventures

USA

AIG AMERICAN INSURANCE GROUP, which under the terms of previously granted preferential treatment from China's leaders had been able to set up wholly owned subsidiaries, will have to abide by WTO terms after China's admission which permit only 50:50 joint ventures. However, the existing wholly owned subsidiaries will not have to restructure.

NEW YORK LIFE INSURANCE COMPANY expects a licence to do business in China after the country joins the WTO. The president of New York Life announced his company is ready to establish branches in any Chinese city where the Government allows it to operate.

New York Life has a 25% market share of life insurance sold to the Chinese community in USA.

PIZZA HUT, part of Tricon Global Restaurants Inc. has opened a total of 50 restaurants in China. The company plans to open another 50 Pizza Hut outlets in China within the next 2 years. Pizza Hut entered China in 1990 with its first outlet in Beijing and now employs more than 3000 people.

KENTUCKY FRIED CHICKEN (KFC) is to launch a website in a bid to try and expand the business in China. The website, China KFC.com, is being launched with the help of Sohu.com, a NASDAQ-listed Chinese portal.

AVIS CORP. and Shanghai Angel Car Rental Co. will launch a joint venture in which both partners will hold 50%. Shanghai Angel is the largest car rental company in China with 40 outlets nationwide. It aims to introduce from the U.S. advanced management expertise and marketing techniques.

ANDERSEN CONSULTING will focus more on large State-owned enterprises which are going through internal reforms. Andersen has just restructured the oil giant Sinopec for a successful overseas listing. About 75% of AC's businesses in China are with State-owned enterprises, and about 25% with multinationals.

INTEL, the world's largest chip-maker, is to invest another US$ 300 million to expand its chip packaging and testing plant in the Pudong Development Zone in east

Shanghai. After the expansion project is completed, the workshop area will increase from the current 12.000 square metres to 56.000 square metres.

SIKORSKY AIRCRAFT CORPORATION and Shanghai Little Eagle Science & Technology Company decided to set up China's first helicopter joint-venture. Shanghai Sikorsky Helicopter Company will develop a new type of light helicopters mainly to meet domestic demands.

TAIWAN

Taiwan's **CHINA AIRLINES (CAL)** is expected to buy a 25% stake in Shanghai-based China Cargo Airlines, a subsidiary of China Eastern Airlines. The US$ 64 million deal has to be approved by both Chinese and Taiwanese authorities. China Cargo Airlines operates 12 international routes between China and major countries.

Taiwan's CHINESE PETROLEUM (CPC) and the mainland's China National Offshore Oil (CNOOC) are planning a cooperative exploration of the Taiwan Strait with the creation of a test-drilling joint venture. Both being state firms, they both need government approval.

GIGABYTE TECHNOLOGY and Legend Holdings announced a 50:50 joint venture to produce motherboards, with a total investment of US$ 32 million. The companies already have motherboard factories in Huiyang and Dongguan. The joint venture aims to become one of the top producers in the world in a year or two.

WANT WANT GROUP, leader in Taiwan's snack industry, has decided to move its headquarters to China in the second half of the year in order to reduce operating costs and cater to market demand. Since 1992 Want Want has vigorously explored the mainland market and now has 28 factories there.

JAPAN

TOYOTA MOTOR, Japan's biggest automaker, established a wholly owned investment and marketing company in Tianjin. The company is capitalized at US$ 30 million, making Toyota's total investment in China US$ 491 million. The venture will provide marketing support and training for sales and service centre employees at Toyota's Chinese branches.

TOSHIBA is setting up a Chinese research and development branch employing 250 researchers and expand to 500 before 2005. To ensure getting talented support from top Chinese universities, Toshiba has signed contracts with Tsinghua University and Beijing University for cooperation.

CANON plans to build one of the largest photocopier plants in Suzhou to shift manufacturing of lower-end models from Japan. It will set up a wholly-owned subsidiary on a 230.00 square metre site at a cost of US$ 4 million. The plant will employ about 3500 workers and produce around 20.000 copiers a month.

JAPAN TELECOM signed an agreement with China Telecom, to cooperate in leased line services for corporate customers. The deal, which does not involve any financial investment, follows similar agreements between KDD and China Unicom, the second largest operator.

SOUTH KOREA

DAEWOO HEAVY INDUSTRIES & MACHINERY, an independent offspring of the reorganized Daewoo Group, is the major investor in YANTAI DAEWOO in Shandong province with US$ 57 million. In 2000 it sold 1330 excavators and 690 forklifts in competition with Hyundai, Komatsu, Hitachi and Caterpillar, giving it a market share of about 25%.

THAILAND

CHIA TAI GROUP is working on an investment plan for a major expansion of its business in China. The aim is to help the group's 168 ventures, which have been established over the past 22 years, achieve greater efficiency. The plan will focus on developing processing of farm products, improving its transportation network and building more warehouses.The group has four supercentres in Shanghai, with another four planned for 2001 and more in future.

GREAT BRITAIN

BRITISH PETROLEUM (BP) signed a contract with SINOPEC to build a US$ 2.7 billion petrochemical complex that is expected to be the largest of its kind when it comes on stream in 2005. BP will control 50% of the Shanghai-based joint venture, SINOPEC 30% and SINOPEC subsidiary Shanghai Petroleum Co. 20%. The planned production capacity is 900.000 tons of ethylene a year, making BP one of the biggest foreign investors in China.

SHELL and CNOOC are beginning work on a 50:50 US$ 4 billion joint venture petrochemicals complex in Daya Bay, Guangdong province, with an annual production capacity of 800.000 tons of ethylene.The complex will also produce about 1.5 million tons of chemicals. It will generate annual sales of about US$ 1.7 billion.

GERMANY

BASF and SINOPEC are constructing a US$ 2.65 billion integrated petrochemicals site in Nanjing to turn out 650.000 tons of ethylene annually by 2004. The 50:50

(continued on next page)

(Germany continued)

joint venture is to be the nation's third largest petrochemicals plant after the US$ 4 billion project between China National Offshore Oil Corp. and Royal Dutch/Shell in Guangdong Province.

MERCEDES-BENZ will build 40 maintenance and service centres in China by the end of 2005, the year China will slash its auto import tariff to 25% from the current rate of 80–100%.

The company recently launched the Guangzhou Star Mercedes-Benz showroom, the first of its kind in Guandong province. It also launched its latest C Class Sports Coupe in China.

AUDI, which entered the China market already a decade ago and produces the Audi 6 locally, sold 17.000 vehicles in 2000 and is heading towards 28.000 locally made cars this year. About 12% of sales are to government officials.

BMW is awaiting government approval for a 50:50 joint venture with China Brilliance Group which will produce BMW 3 and 5 series. In 2000 BMW sold 3.750 cars in China, and hopes to achieve sales of 5.000 units in 2001.

FRANCE

CARREFOUR, the supermarket chain still in a controversy over its unregulated past openings of stores in China, is preparing a relocation plan for a new mainland purchasing center in Shenzhen. Some 90% of the chain's purchases on the mainland come from Guandong, and 90% of commodities pass through Shenzhen customs.

ALSTOM and Northern Electrical Transmission & Transformation Machinery Manufacturing Co. in Shenyang, Liaoning Province, established the joint venture Alstom DBD Instrument Transformer Co., Ltd. with a total investment of US$ 14.5 million. It will make, supply and provide after-sales service for a range of transformers.

HOLLAND

HOLLAND EURO-ASIA GROUP wants to build the world's largest greenhouse flower farm in Shenyang in Liaoning province. China's flower industry expanded 30% a year in the past 20 years, and production is now valued at US$ 6.5 billion, with exports of $ 260 million.

Holland Euro-Asia Group began investing in China and now produces flowers in Beijing, Guangdong, Sichuan, Hebei, Shandong, Liaoning and Jilin.

SWITZERLAND

SARNA KUNSTSTOFF HOLDING is now the 100% owner of its former joint venture Sarnafil Lu Quan Waterproofing Material Co. The new company will be named Sarna Waterproofing Systems Ltd., employing 250 workers in Shandong province.

ZURICH FINANCIAL SERVICES, with offices in Beijing, Guangzhou and Shanghai, was granted a licence to enter the non-life insurance business in China.

ROLEX has won a legal battle to prevent CINET, a local internet provider, from using the domestic rolex.com.cn web address. CINET was ordered by the People's Intermediate Court in Beijing to annul the registered domain name and to pay Rolex a compensation fee of US$ 1.200.

SWEDEN

VOLVO and China National Heavy-Duty Truck Corp. (CNHTC) will establish a joint venture to manufacture Volvo heavy-duty trucks with engines larger than 12 litres and a price around US$ 96.000. In the beginning, the JV will assemble vehicles with imported parts. Construction of the production line will start in 2002, with an annual target of 2.000 vehicles.

Summary by Paul Wyss

Survey Highlights Growth of Emerging Middle Class

Mainland Chinese earning at least RMB 60'000 a year make up 10% of the country's urban population, according to a State Statistics Bureau survey. Average incomes on the mainland range from RMB 435 a month in the Jilin province to RMB 1'033 in Zhejiang. The bureau concluded that most of the higher-income earners were between the ages of 30 and 40 and formed the basis of an emerging mainland middle class. The bureau predicted there would be about 200 million middle class people on the mainland in the next five years, or about one-seventh of the population. (SCMP)

People Still Favour Savings

A recent inquiry by the People's Bank of China shows that people are more willing to have their money deposited in banks than invest it in stocks and government bonds. The inquiry also shows that only 10.5% of depositors believe withdrawing deposits to buy stocks is worthwhile under the current price level and interest rate. The percentage is the lowest since 2000. Chinese residents' deposits reached RMB 7.06 trillion (USD 852.7 billion) at the end of August. (China Daily)

In Brief

– Plans for two new traditional theatres, to be located in Beijing's prime downtown area, are being made, with a projected investment of US$ 96.5 million. China Grand Theatre of Peking Opera will have a capacity of 1.200 people and will cover an area of 100.000 square metres.

– From October 1st China started to allow tens of millions of rural peasants to find work in the cities. They will be able to apply for residence permits in smaller cities if they prove a legal home and a stable source of income in their urban environment. It is one of the most significant reforms of the residence permit system.

– According to new research, after a few decades a third of all the young men in China now will be dead from smoking unless habits change. Two thirds of Chinese men smoke; China consumes 30% of the world's cigarettes. The study found that a quarter of all deaths of people ages 35 to 69 were attributable to tobacco. The government has taken steps to alert people that smoking is hazardous to health.

– A comprehensive environmental protection project aimed a restoring the ecological balance of West Lake, a scenic spot in Hangzhou in Zhejiang Province, is planned for coming years. The average depth of the lake has decreased to 1.6 metres. The local government will put more than US$ 19 million into the programme. An estimated 1.6 million cubic metres of silt and mud will be removed from the lake.

– Chinese citizens will be able to enter as tourists into four additional foreign countries – Vietnam, Burma, Cambodia and Brunei – according to agreements signed recently. The agreements allow to tour the four countries in overseas tour groups organized by travel agencies. Chinese citizens can now join overseas tour groups to 14 countries in the world.

– The Shanghai government lifted restrictions on foreigners buying land in the city and, in a first for China, initiated a public bidding system to make sales to developers more transparent. It has also cut interest rates, loosened bank mortgage lending, slashed the tax on housing transactions and introduced tax rebates for homeowners. As a result, home loans have grown by an annual 150% since the end of 1999.

– China has overtaken the United States as the world's biggest cellular phone market. At the end of July 2001 China had 120.6 million mobile-phone users, which compares with 120.1 million in the U.S. The number of subscribers rose by 35 million, or 42%, in the first seven months of 2001.With only one of every ten Chinese using a mobile phone, compared to four in the U.S. and five in Europe, the market is still ripe for expansion.

– China will speed up construction of subways and light rail transit systems in its large cities during the 10th Five-Year Plan (2001–2005). During the first half of this year, the State Development Planning Commission approved construction of a 38-km third subway in Guangzhou and Line 1 of the Tianjin subway. As many as 20 other cities out of 40 with a population of more than 1 million are considering building systems to ease the pressure on existing facilities, with a total of 450 km and estimated investments of US$ 16 billion.

– During the Five-Year Plan period 2001–2005 China plans to invest US$ 42 billion to build 7.600 kilometres of railways. Under the plan, eight railways from east to West and another eight lines from north to south, as well as the Qinghai-Tibet Railway will be constructed. Upon completion of the plan, China's railways will extend 75.000 kilometres.

– China plans to launch a State strategic oil stockpile of 8 million cubic metres by 2005 to guarantee energy security. The stockpile is considered as indispensable for China, a net oil importer since 1993, to cushion its exposure to the volatile oil market. By comparison, the United States, the world's largest consumer, has a Special Petroleum Reserve of around 100 million tons.

– The Chinese government intends to issue to all of its 1.3 billion citizens new national identification cards utilizing the "smart-card" technology over the next five years. Smart cards utilize memory or a microprocessor to store and process digital information. The program would require high-printers representing a US$ 150 million to US$ 200 million investment.

– A new train offering the facilities of a four-star hotel, will begin operations on the Beijing-Shanghai route. The luxury train will run four times a day. It is composed exclusively of couchettes, with eight hard sleeper, four soft sleeper and one first-class compartment. In the soft sleeper couchettes, each passenger will have have a multi-channel TV screen, space for his laptop and a toilet and shower.

– China's booming private school sector is to receive legal protection from the central government, strengthening its position and encouraging further growth. The new laws will put private schools on the same legel footing as state-owned ones. There are now about 7 mio pupils in private schools, with the greatest growth in high school for ages 12 to 17, and in primary schools.

– The National People's Congress, the Chinese legislature, passed sweeping changes to the 20-year-old Marriage Law, explicitly banning concubinage and domestic violence. Domestic violence has been reported in 30% of Chinese families, and it causes 60% of divorces. In divorce settlements, the innocent party may claim compensation in cases of bigamy, keeping concubines and spouse abuse.

– According to a recent survey, some domestic brands are becoming strong enough to challenge the world's top 500 in three to five years. The report cited FAW (First Automobile Works), Hongtashan (a cigarette brand), Haier (a household appliances brand) and Legend (a computer brand) as possible candidates. The judgements were based on a mix of sales, profitability, comparison with similar products, and image building.

– In 2000 China has become the No. 1 vegetable and fruit producer in the world, producing 13.3% of the fruit and 65.7% of the vegetables around the world. The total output exceeded US$ 42.27 billion. The area cultivated in vegetables accounted for 35.3% of the total, the area for fruit 18% of the world's total. Exported fruit reached 1.36 million tons, generating foreign exchange worth US$ 720 million.

– Bank of China, Agricultural Bank of China, China Construction Bank and Industrial & Commercial Bank of China have won permission from the central bank to sell shares to foreign investors. The state-controlled banks will also be allowed to form alliances and restructure.

– The mayor of Shanghai, Xu Kuangdi, is pushing the central government to give tax concessions to foreign multinationals with headquarters of regional operations in the city. Mr. Xu asked Beijing to allow companies that use Shanghai as their base to consolidate profits and losses from different business in China into a single account for taxation.

– According to the Ministry of Personnel, foreign businesses will be allowed to participate in the personnel services sector in China under certain conditions from October 1. Foreign firms offering headhunter services must operate jointly with Chinese organizations. The provisions also apply to investors from Hong Kong, Macau or Taiwan.

– The number of bridges over the Yangtze was increased to 24 recently when a new bridge was opened in Yichang in Hubei Province. The bridge is part of the national highway between Shanghai and Chengdu, capital of Sichuan Province. Located 40 kilometres from the Three Gorges Dam now under construction, the bridge is 1.188 metres long and 30 metres wide.

Summary by Paul Wyss

China's Accession into WTO

Counting for Opening Up Starts on January 1, 2002

Lifting of barriers and the reduction of tariffs under the Word Trade Organization (WTO) will start on January 1, to avoid chaos in the market, and not on December 11 as China formally enters the global body.

While different industries like insurance, banking, transportation and retail have been looking at specific measures in their field, the drop of tariffs will cause in the short run the heaviest disruption of the current economic playing field. Import tariffs on diamonds for example will drop between 50 and 60 percent.

At the beginning of 2002 a whole range of other products will follow to comply with China's commitments for entering the WTO.

January 1 will also be day one for the transition period China is allowed for further opening up the markets in different industries. Depending on the agreements, that can take up to five years.

Favorable Treatment for FIE to Remain in Coming Years

The preferential treatment enjoyed by foreign-invested enterprises will remain intact in the coming years, despite China's accession into the WTO. To comply with WTO rules, government has been working on a revision of several laws and regulations to put FIE at the same level as domestic businesses, but implementation of these new policies will take 'a few years'. Once FIE get similar treatment as national enterprises, there will be new preferences for those companies investing in regions the government encourages.

Regulatory Hurdles for Logistics Business Remain

"China's accession into the World Trade Organization (WTO) will remove – over time – some regulatory barriers for foreign logistics companies thinking about setting up operations in China. Some restrictions, however, will remain in place," says David Liu, an attorney at the law firm Sidley Austin Brown & Wood's Shanghai Office.

"Many foreign logistics companies may become disappointed at the gradual pace of change and the lengthy timeframe before some of the major restrictions on foreign investment in the logistics sector will be eliminated."

What is going to change in about five years with China's accession into the WTO is the possibility for foreign companies to take a larger stake in logistics joint ventures, and to maintain effective control of the logistics joint ventures, i.e. shipping, warehousing and freight forwarding joint ventures. Bringing all logistics operations under one roof is impossible under the current regulatory regime and will remain to be the case.

Liu further states: "The whole system is very fragmented. If you want to cover the full supply chain from the suppliers to the retailers, you need several different licenses. You need a trucking license for ground transportation of goods, a freight-forwarding license for package delivery, etc. When you deal with customs clearance for third party goods, you need to qualify as a customs broker. Moreover, the scope of business in your business license limits what you can do. As a result of these regulations, a foreign logistics company has to set up multiple entities in China if it wants to cover all logistics needs of its customers."

"These legal watersheds between half a dozen ministries are here to stay", says Liu. "The ministries involved grant approval for the establishment of foreign invested logistics companies, and issue the licenses and permits they need. These powers are too important for the different ministries to let go."

Facing various regulatory hurdles, foreign logistics companies have come up with creative practical solutions to work around the hurdles. "For example, setting up a wholly foreign owned trading- and distribution company in the Waigaoqiao Bonded Area. But the limitations of this approach are: first, the Waigaoqiao company can only engage in certain limited logistics activities, and second, except in Shanghai the Waigaoqiao company can not establish branches outside the bonded areas."

"Unlike other countries, China has a complex and fragmented licensing system for logistics business", adds Liu, "and this licensing system is here to stay."

China Needs GATT Valuation Code in Full

The valuation of goods passing through Customs will be one of the major issues in international trade after China's accession into the World Trade Organization (WTO). "China needs to adopt the GATT Valuation Code in full to deal with that issue", says Ken Vessey, Director World Trade Management Services at PriceWaterhouseCoopers (PWC) in Shanghai.

The GATT is the predecessor of the WTO and has developed a full set of international standards for setting the value of goods by customs. Now China Customs has no comprehensive internationally based system for the valuation of goods.

"Dropping tariffs after accession into the WTO will mean loss of revenue for the Customs and will cause pressure on custom officials to make up for the loss", says Vessey, who was an Australian Customs Officer for a long time. "Customs everywhere are a mainly revenue-driven industry. Unless tightly regulated by international standard, valuation might be misused as a way to make up for lost revenue."

Customs' arbitrary valuation of goods might jeopardize international trade. China needs to adopt international practices in full to prevent that, says Vessey. "Many other countries have made reservations in adopting the Valuation Code upon accession into the WTO. I hope China is not going to do that."

Vessey is optimistic in the long term about the attitude of Chinese Customs, which has promised during the APEC-meetings to become more of a trade facilitator. "Efforts like those to turn Shanghai into a 'model port' are certainly encouraging, but it needs radical changes of long-standing procedures", Vessey warns. "That has not been easy for Customs anywhere in the world. Customs tend to be rather conservative in the methods they use."

Vessey: "The valuation of goods by China Customs is vital to sales between parties because many companies believe their transfer pricing policies for tax purposes are acceptable for Customs. This is not always the case and Customs use their own methods to calculate the value of goods."

Only with a solid system of valuations, and even a system of pre-arrival valuation decisions, international trade can work smoothly. Vessey: "Traders have to know whether a deal is profitable before they ship the goods. When the goods are already here, it is often too late. They cannot send the goods back when they discover the costs are too high."

Source: ChinaBiz

Three Years to Go with Patience

For most logistical industries the countdown starts now after China entered the World Trade Organization (WTO). There will be a transition period of three years before freight forwarders will be allowed to enter the Chinese market. "We have learned to wait," say Marc Freter and Olaf Schaefer of Birkart, a middle-sized freight forwarder with a B-class license.

Some of the larger freight forwarders took a minority share in a joint venture with a Chinese partner to obtain an A-class license, but most foreign participants in this industry work through local agents and only have representative offices in China. Birkart has an operation of almost 5,000 people in China and has created a wide range of local agents that are almost fully dependent on the foreign freight forwarders.

"Very few generate their own business", says Schaefer. "Apart from some of the bigger guys, none of the local agents has their own network. Especially for airfreight they only chop the bills, while the foreign freight forwarders do all the work."

The domestic companies will lose most of their business when the foreign companies get permission to enter the market themselves. Schaefer: "Our Chinese partners have to do custom clearance now, but we can train our people to do the same after we get an A-class license. On top of that, we have our international experience."

"We still have a lot of questions on what is going to happen in the industry," says Freter. "We do not know what will happen, or when. To be honest, we don't think the Chinese government even knows what is going to happen."

Source: ChinaBiz, Freight Forwarding

Registration Hits FF Retailers Again

The government plans a stricter attitude towards the more than 350 foreign-funded retailers and wholesalers in the country. Before the end of the year, these companies have to register at national level, and let their business fully correspond to Chinese law and regulations.

It seems an almost exact repetition of the beginning of a crackdown on illegal operations among the majority of foreign retailers in China at the end of 1998.

It is yet unknown if and how the State Economic and Trade Commission (SETC), announcer of the new measures, will punish retailers and wholesalers, which do not apply for a license by the end of the year. At the moment, most foreign-funded retailers and wholesalers operating in China are approved by local governments, but lack the necessary official approval of the State. According to SETC-data, only 40 of the 365 foreign-invested commercial companies that are in China since 1992 have been registered at State level.

The successful French retailer Carrefour frequently got into trouble, as the company did not comply with the Chinese regulation, annoying both domestic and foreign competitors.

After a call for massive restructuring in the retail sector in 1998, the government seemed to ease down on the industry in the past years. The most liable reason to strengthen the control again seems China's upcoming accession to the World Trade Organization (WTO). The move should create a fair competitive environment, and prepare China for the intensive competition that will begin after entrance to the global trade organization.

Source: ChinaBiz

Insurance Market Opened Further

Eight European insurance companies were recently granted licences to set up insurance practices in China. The new approvals bring the total number of licensed foreign insurers to 26, while the number of domestic insurers stands at only 13.

The eight licencees include four for life insurance and four for non-life insurance.

French CNP Assurances, British CGU and Dutch Transamerica got the green light to set up life insurance joint ventures in open cities. France-based AXA, which is operating a life insurance joint venture in Shanghai, was allowed to establish a sub-company of that JV.

German Gerling Insurance Company and Allianz as well as Swiss-based Zurich Insurance Company were permitted to launch non-life practices. UK-based Royal & Sun Alliance, operating a non-life company in Shanghai, got permission to set up a sub-branch company.

With the new licences plus two issued previously to Dutch and Italian insurers, China fulfilled its promise given when it concluded the bilateral agreement with the European Union on its entry into WTO. So far, China has opened only Shanghai and Guangzhou to foreign insurers. Life insurance companies can only operate in the form of joint ventures with a share of 50%.

Source: China Daily

SMEs Inject Enormous Vigor into China's Economy

China is taking various measures to help developing its small and medium-sized enterprises (SME), in an effort to boost its national economic development. Statistics from the State Economic and Trade Commission show that up to now, the number of SMEs has exceeded eight million and covers 99% of the total enterprises in China. During the last 10 years of China's rapid economic development period, SMEs contributed 76% of the newly-added industrial output value, and provided 75% of the total job opportunities in cities and towns of the whole country. (People's Daily)

Foreign investment in SME encouraged

China is drafting regulations allowing foreign investors to buy the country's small and medium-sized enterprises. The new rules will enable foreign investors to control or hold shares in Chinese SME or even buy out the shares. Certain industries would be off limits, however, though it was not known which. (China Daily)

FIE's New Trade Opportunities

Foreign invested companies can now export other than their own products. The legal change was announced on July 2nd by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), part of China's reform into the World Trade Organization (WTO). Foreign manufactures, which up till now could only export their own products, can effectively become trading companies.

However, there are some limitations: FIE's should have an annual export volume of at least US$ 10 million, should have a clean record with the authorities, and should employ professional staff engaged in international trade. Products that are subject to quota or license control are exempt from this arrangement, and restrictions on domestic sales remain.

Companies can apply with MOFTEC or one of the local bureaus to apply for a change in business scope.

Source: Fiducia Newsletter

More Sino-foreign Travel Agencies Allowed

The China State Tourism Bureau approved the establishment of eight Sino-foreign joint venture travel agencies in a first step to (further) open up the country's tourism industry to international companies.

Before the end of this year, even more Sino-foreign travel agencies will get a go-ahead for their business, claims Wang Chaoyao, Vice-director of the Planning and Development Department of the China State Tourism Bureau.

This would mark a rapid development, as so far only seven joint ventures were approved since the government launched pilot projects of foreign funded-agencies in 1998.

The Bureau is pondering about eventually lifting all restrictions on Sino-foreign joint venture travel agencies. Currently the restrictions include a limit on bringing foreign tourists to China and offering domestic tourism packages, as well as the rule that the Chinese partners must have controlling rights in the joint ventures.

Further opening up the tourism sector will not only increase foreign investment, but also improve the service and enhance the competitiveness of Chinese travel agencies, Vice-director Wang said. However, the presence of foreign competitors might at the same time threaten smaller, domestic companies which are unable to compete with the growing number of joint ventures.

The China State Tourism Bureau expects the tourism industry to grow 11 per cent this year, compared to last year, up to 500 billion Renminbi (US$ 60.4 billion).

Source: ChinaBiz

Restrictions on Ad Spending Loosened

Just months after implementation, the government will loosen restrictions on advertising expenditures for companies again. Instead of the former 2 per cent, enterprises are now allowed to spend 8 per cent of their sales volume from the previous year to advertising.

The new adjustments apply for advertising for consumer products, properties and some services. High-tech firms, websites and venture capitalist companies will get permission to advertise without restrictions for five tax years after they start business.

Last January, the government restricted the advertisement spending to 2 per cent of the sales volume to prevent companies from tax evasion by claiming to spend a large amount of their pre-tax revenue to advertising, thus seemingly increasing costs and reducing tax payments. Any spending over the 2 per cent limit was not tax deductible.

The new limit of 8 per cent advertisement spending might increase possibilities, but will in most cases not be enough to establish a new brand in the market.

China's advertising market was worth US$10.32 billion last year – the region's biggest – and foreign companies are hoping for a share.

Source: ChinaBiz

China Telecom Splits Again

China Telecom, the country's largest fixed-line operator, will be divided in a northern and southern branch. CT holds a virtual monopoly.

Both telecom enterprises will be the leading fixed-line and Internet provider in their region. The northern branch will merge with China Netcom, while the southern branch will join Jitong, two other state-owned enterprises. Both new enterprises are likely to obtain also a license for mobile telecommunication.

It is the second time China Telecom has been broken up by the State-Council in an effort to break its monopolistic power and enhance domestic competition.

Two years ago China Telecom was divided into four functional entities. China Telecom retained the fixed-line business, while China Mobile – still leading in this industry – got the mobile business. Other enterprises took charge of paging and satellite connections.

A plan for an IPO of China Telecom had been shelved earlier this year, because it would have to deal with this reorganization first. The IPO, or even two IPO's, is likely be get on the agenda again very soon.

The State-Council, China's highest ruling body, had sidelined the responsible Ministry of Information Industry (MII) when it prepared for the decisions. MII, headed by Minister Wu Jichuan, has a longstanding tradition of opposing the opening up of the telecommunication sector. Premier Zhu Rongji and Wu have more than once been at loggerheads on telecommunication policies. China Telecom used to be MII's main powerbase.

After China's entry into the WTO foreign telecommunication providers are allowed to participate in China's potentially lucrative telecommunication market, but as minority shareholders in joint ventures and after a transition phase by owning a majority.

Source: ChinaBiz

China, Eu Co-Sponsor Environment Projects

China and the European Union (EU) will contribute a total of US$ 17.5 million to bolster environmental protection. The two entities launched the EU-China Environmental Management Cooperation Programme in Beijing end of September, funded by the EU's 13 million euros (US$12.03 million) over the coming four years and China's 5.9 million euros (US$5.5 million).

The project is one of the biggest cooperation programmes between EU and China in the environmental management sector and will focus on technology and management expertise exchanges. EU official Jean Marc Riegel said the programme aims to increase China's planning, enforcement and management capability in environmental protection.

According to the Sino-EU agreement, the 13 million euros will go to four institutions. They are the Administrative Centre for China's Agenda 21, China's International Training Centre for Sustainable Development, the National Cleaner Production Centre and China's Centre for Environmental Management Systems.

The joint agreement also declares that the Administrative Centre for China's Agenda 21, an official institution with years of environmental protection experience, will mainly oversee the four-year programme with supervision from the European Commission and several relevant Chinese government agencies. Chen Ning, an official with the Ministry of Foreign Trade and Economic Cooperation, said that China views environmental protection as one of its top two major issues as written in the country's 10th Five-Year Plan (2001–05). The other top issue is poverty alleviation.

Source: China Daily

Dalian on UN List of Greenest Urban Areas

This coastal city in Liaoning Province, one of the most pristine urban centres in Northeast China, has been included in the "Global Top 500" list maintained by the United Nations Environment Programme (UNEP). Vice-Mayor Song Zengbin said UNEP has officially informed Dalian it has been named to the list, making the city the first in China to win the honour.

Dalian, formerly one of China's major industrial bases, is one of the few cities in China that have successfully managed the contradictory concern of economic development, urban construction and environmental protection. The city has brought all of its industrial complexes in compliance with State pollution standards and has moved 105 of its worst polluting enterprises out of the downtown area, sources with the city environmental protection bureau said. The proportion of dust in the air has dropped by 35 per cent, particulate matter by 85 per cent and sulphur dioxide by 26 per cent in the last 10 years. Oil and lead pollution in the city's harbours has dropped 16 per cent and 97 per cent, respectively, during the same period.

The forest coverage ratio in the city is 40 per cent. At the same time, the city has also made significant progress in infrastructure construction.

In recent years, 50 per cent of the city's 2 million people have moved into new houses. The city has maintained a two-digit growth rate in economic development for the past few years.

Source: China Daily

Highest Railway Project Started

The massive construction project of the Qinghai-Tibet Railway started in July 2001 with ceremonies in the Qinghai traffic hub of Golmud attended by Premier Zhu Rongji, and in Lhasa attended by Vice Premier Wu Bangguo.

The 1.118 kilometre railway will extend from Lhasa to Golmud and more than 960 kilometres will be built at an altitude of more than 4.000 metres. Half of it will be laid on earth that has been frozen for ages. Tibet is the last provincial-level region in China to be connected by railway. The section between Golmud and Xining, capital of Xinghai, was completed in 1984 and is in full operation.

Upon completion in six years, the railway will be the highest railroad in the world and it will end a history of Tibet not being accessible by train. The railway will later be extended southwards to Xigaze and Linzhi in Tibet, as well as to Yunnan Province.

The project will encounter three major problems – the geological impact, frozen soil, and the sheer cold and oxygen shortage caused by high altitude. Various studies have been conducted on the issue of possible environmental consequences and plans have been formulated to ensure protection along the railway. Glacier experts conducted investigations in the area and railways constructed on frozen soil in Russia and Canada have been studied.

Health protection methods for working at high altitude have been worked out by the Ministry of Public Health to deal with lack of oxygen and high ultraviolet radiation. Hospitals are being set up along the construction line.

Passengers will be assured a safe and smooth journey as engineers have worked out plans to successfully tackle the oxygen shortage problem. To help passengers who will have to adjust to the effects of oxygen shortage, trains will provide air bags and other facilities. Engineers have been working to improve the performance of railway engines so that the trains will speed up when running through air-sparse regions.

All spending for the project will be borne by central authorities.

Source: China Daily

Taiwan-Links Closer than Ever

Restoration of transportation links between Taiwan and mainland China is closer than ever since a civil war fifty years ago ended them. Media on both sides of the Taiwan Strait reported break-trough's in both the transportation of cargo and the resumption of direct flights.

Civil aviation authorities on the mainland and in Taiwan Province reached consensus on the importance of direct aviation links across the Taiwan Straits. The terrorist attack on September 11 brought together airliners from both side of the Taiwan Strait and they decided to restore direct flights because of safety and cost reasons. Taiwanese airliners will apply for permission to cross mainland China in the future to avoid the war zone.

Both authorities agreed to resume direct flights as soon as possible. Airlines on both sides agreed that none of them would bear any flags. Both would set up offices very soon on both sides of the Strait.

Earlier the Taipei Times reported that Taiwanese authorities might allow goods from mainland China to enter the island before December. Now Chinese goods can

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be processed in a small zone near Kaohsiung, but then they go to a third country. The Taiwanese authorities said they first waited for a "friendly gesture' from Beijing, but decided now to go ahead anyway.

At the end of August a major conference of lawmakers and business people advised the Taiwanese president Chen Shui-bian to reduce the official restrictions for Taiwanese businesses to go to the mainland. Taiwanese companies have been flocking to the mainland, especially after the earth quake of 1999, to exploit possibilities through third countries. In that way they massively flouted the restrictions. Only those industries that really need official permissions, like transportation companies and banks, still suffer from the ban on direct links that has been in place since the end of the civil war between communists and nationalists in 1949.

The ongoing recession in Taiwan has added to the urgency of full restoration of economic ties. Taiwanese enterprises have to make extra costs, because they have to work, ship and travel through third countries, including Hong Kong and Macau.

When the links have been restored, reunification of Taiwan with China will remain a purely linguistic problem for politicians. Beijing has offered Taiwan a reunification where it would retain its army, political and economic systems and would not have to pay any taxes. Taiwan only would have to agree verbally they all belong to one country.

Current president Chen Shui-bian's party the DPP has been elected on a pro-independence ticket and it would be a bit of a straddle while finding the right words for Beijing without sending his party into disarray. Taiwan will elect a new parliament on December 1.

Beijing has repeatedly stated that only the explicit admission that Taiwan belongs to China can clear the last blockades for restoring of the links.

Source: ChinaBiz

Eight Taiwanese Banks Get Permission to Cross Strait

Taiwan authorities allowed eight banks to set up representative offices in Beijing, Shanghai and Shenzhen, the People's Daily wrote end of September.

While solid figures are hard to come by some figures suggest that over half a million Taiwanese have flocked to mainland China, while they have invested up to 100 billion US dollar in assets. All those Taiwanese business would have to work through other banks.

The Taiwanese banks will not be allowed to do official banking business. While Beijing has successfully wooed Taiwanese business to the mainland, it will only accept restoring formal economic ties – including direct flights – after Taiwan has adhered to the 'one-China' principle.

Taiwanese banks are also too small to get admission to China's banking system. Taiwan has a large number of smaller banks and no real larger players. None of them would be able to meet the Chinese minimum requirements to engage in the banking business.

Permission obtained First Commercial Bank, Hua Nan Bank, Chang Hwa Bank, International Commercial Bank of China, United World Chinese Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, and Chinatrust Commercial Bank.

Source: ChinaBiz

Ownership Structure and Corporate Performance

As everybody talks about the mismanagement and high deficits in Chinese state-owned enterprises, it is interesting to examine the relationship between ownership structure and profitability. Recently, the National University of Singapore conducted a study on how the ownership structure of publicly listed firms in China affects their performance. The results are summarized below:

– Institutional shareholders seem to have a positive impact on corporate governance and performance; state ownership seems to lead to inefficiency; and an overly dispersed ownership structure can create problems in the Chinese setting.

– A typical listed stock company in China has a mixed ownership structure, with three predominant groups of shareholders – the state, legal persons (institutions), and individuals – each holding about 30% of the stock. Employees and foreign investors together hold less than 10%.

– Ownership is heavily concentrated. The five largest shareholders typically account for 59% of outstanding shares, very high compared with the USA, where the

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top 5 shareholders typically account for 24.8% top 20 for 37.7%.

- The mix and concentration of stock ownership affects a company's performance as follows:

- The increase of ownership concentration helps improve the corporate performance.

- The effect of concentrated ownership is greater with companies dominated by institutions than with those dominated by the state.

- The firms' profitability is positively correlated with the fraction of legal person (institutional) shares; it is either negatively correlated or uncorrelated with the fraction of state shares and with tradable A-shares (held mostly by individuals).

- Labor productivity tends to increase as the proportion of state shares declines.

- The dual function of shareholder and CEO or Chairman of the Board relate positively to corporate performance, whilst the share ownership of other senior managers or board directors has an insignificant or negative impact on corporate performance. This phenomenon could be due to the Chinese culture of centralized management where one key person controls all major decisions.

Source: Fiducia Newsletter

Managing Credit Risks

Measures to deal with accounts receivable risks are either not available in China or are not an efficient tool.

Reports published by Dun & Bradstreet and Sinotrust Consulting (Beijing) reveal interesting insights into the situation in China. First, a large proportion of companies provide payment terms of 30 days or more (FEIs: 72%, SOEs: 61%); the highest proportion being in the electrical, medical, paper, chemical and electronics industries. Second, the average credit period in the manufacturing sector is 80 days (pharmaceuticals 139 days, automotive 130 days, building and construction 113 days, machinery 85 days). Third, bad debts are highest in the pharmaceuticals, electronics, textiles, FMCG and chemicals industries (10% or more of total credit sales). Finally, related statistics show that bad debts increased by 10% in 2000.

An analysis by Gerling Credit Information Consulting (Shanghai) Co. Ltd., the third largest credit insurer worldwide, lists the following tools for managing credit risks efficiently in China:

Credit management
Developing a credit risk policy and staff training, especially for the sales force and those involved in accounts receivable management.

Credit information (monitoring customer performance)
Credit checking support is offered by a number of local and foreign credit information agencies.

Debt collection
Debt collection is generally not allowed in China but support from "third parties" could be helpful. Instituting legal proceedings (court or arbitration) is not an efficient tool as enforcement of judgments is poor. However, some progress has been observed in this respect in big cities like Beijing and Shanghai.

No doubt, credit risk management is a very important aspect of business in China. A number of companies, like Gerling, offer support services in the areas stated above.

Source: Fiducia Newsletter

Global Consultancy Faces Local Pressure

Fujian Start Computer Group assigned McKinsey, a global management consulting firm, to identify its core problems. Start's executive management accepted the consultants' diagnosis and asked them to work on a solution. Of the two choices, Start's management chose the "Big Bang" option, leading to a restructuring of the company: the disparate subsidiaries were abolished and one integrated manufacturing department, sales department and marketing department were to be created for the whole group. The process meant that over 1,000 employees – a third of the workforce – were given new responsibilities, and many were shifted to new offices. Instead of receiving orders through vertical structures, workers now had to rely more on their own initiative and share information. However, according to Start, McKinsey neglected to offer instructions during the crucial implementation period.

After five months, sales of the company's main product, the Start PC, were down 80% on the previous year. Mr. Perkins of McKinsey said that the reform would face a lot of difficulties (i.e. temporary sales decrease). However, Start's management didn't have the stomach for such a struggle. Despite paying RMB 3 million (US$ 360,000) for McKinsey's advice, it abandoned the new company structure and re-established the three subsidiaries, each responsible for a certain product group.

Start and McKinsey both commented to the press that the overall restructuring plan was misconceived because of a clash between "foreign" concepts and "traditional" Chinese business structures. McKinsey also learned that: "the recommendation plan must be very detailed for Chinese clients before implementation, including every step and targets for every three months. [In future] we will concentrate more on the people working at middle-level management who are going to make the change. We should make sure that they understand clearly the reform and support it. Any recommendation cannot be expected to solve all the problems. It is better to change one part at a time. Nothing can persuade people [in China] to reform more effectively than a successful trial."

Source: Fiducia Newsletter

Success in China through Human Resources

Here and There in Human Resources Management

This is the third article from Horton International China regarding topics around Human Resources Management as well as General Management. The information presented are very practical and already implemented in several enterprises with good results.
In this fast changing world, human and personal relationship will play a more important role. The better we understand people from different cultures and backgrounds the less problems we will have. Enterprises should give high priority to the Human Resources affairs and handle them very professional, in order to increase efficiency and success.

Payroll Savings

In reviewing the payroll of some of our clients, we have found to our amazement that they have been paying approximately 10% more than what they should. The 10% savings which will be a substantial amount will be entirely legal and in fact, the companies should have been doing. All it takes will be some planning and better understanding of the relevant rules and regulations.

The Effect of September 11, 2001 Attacks in the U.S.A.

We are no U. S. citizens. However, what happened in the United States of America on September 11, 2001 has affected the whole world. First the airline industry, the hotels, the restaurants, the entertainment industry as a whole, the stock market, the downsizing all over, further slow-down in the world-wide economy are all involved. The whole world seems to be caught in a downward spiral. Luckily, China still enjoys an enviable GDP growth of 7% this year. Definitely, the foreign investments into China seems to be slowing down as the corporations have been taking a cautious wait-and-see attitude. We are all living in a global village. What happens to one part of the global village will have an important impact on the other parts. The whole world has contracted so much that the effects of any changes are quickly felt. Any turnaround is not in sight. The only things are sure: changes will quicken and their impact will be far greater; there will be more uncertainties. Where the realities are like these, we have to learn to adapt ourselves to the new challenges. Please read on.

Career Management

In the face of all these changes, how we as professionals and managers should react to this fast changing world situation? Uncertainties and changes will be the norm. Unless we treat them as our friends, we shall be very soon overwhelmed by all the uncertainties and changes. All we have heard all the time these days is:

Reengineering	Laying-off
Restructuring	Redundancy
Delayering	Reduction in force
Downsizing	Headcount control
Outsourcing	Divesting
Merger and Acquisition	Surplus to needs

All these terms may have different meanings but the net effect is that a large of number of employees will be separated from the companies. More and more, we have heard the firings of CEO's. We will be at a loss to understand how the CEO's suddenly become so vulnerable. We become conscious how even more vulnerable we, the professionals and managers are. What is our future? The number of lay-off in the airline industry following the September 11, 2001 attacks is staggering. The occupancy rate in the major hotels is below 50%. Apparently, none are immune from this.

What shall we do in responding to such a tumultuous world. We should acquire new attitudes, new skills and new habits; otherwise, we will be among the losers. Career management will take on a new meaning and significance. In the first place, let be frank that your career will be your own responsibility. Good employers will be concerned about the career of their staff but in real life, they have their share of problems. Things change so fast. Good employers may help but will not be responsible for that any more. No employers will guarantee life long employment. The skills, know-how become obsolete at such a quick pace. Anyone looking to his employer for his future retirement should have his views updated. The other thing you should remind yourself all the time that knowledge is so perishable now that you have to learn and educate yourself all the time. You should look for opportunities to sharpen your professional and managerial skills. You should acquire the attitude that you are on your own insofar as your career concerned. When you are at work, you should deliver results and add value to the organization and your colleagues. Treat all those who have come into contact with you as your "customers".

We have spoken a mouthful. Do not take us wrong that we are very pessimistic. We are not. In fact, we are upbeat about the future. We just want to point out the changes we have been facing. There are challenges but there are more opportunities. We have to be in control of ourselves before we can control things around us and our future.

Networking

In the new economy, networking is a very powerful management tool and will play a even more important role than before. This will be one of the key factors for achieving success. In the new economy, we will relay on each other more than ever before. Networking is creating relationship whereby you can help others achieve their goals, which in turn help you achieve yours. Likewise, we have to add value to others and in turn we will receive additional values from those with whom we have come into contact. In the traditional economy, one can survive as a loner or marginal performer hiding behind organizational hierarchy without being noticed. This will be very difficult if not impossible as the new economy encourages greater transparency and you will have to be accepted by all clients more directly. Your value and contribution to the whole chain will be more apparent. The Bible teaches us "Do to others as we will have others do unto us." We should constantly bear in mind this biblical truth for us to survive successfully in the new economy.

Success

We all want to be winners. How can we be winners? What is success? Is success merely equal to achievement of our goals. If our goals are to win an increase in salary, to own our own home, to get married, you will consider ourselves to be successful when we achieve all these goals. This will be an apparently mix-up of the means and ends. To win an increase in salary or to own our own home, or to get married are not ends in themselves but will be the means to the ends. We may be giving the most attention to the least important things and the least attention to the most important things. Success is a life long journey. How can we be sure that we have been keeping ourselves on course at all times? Further, we will explore the motivation theories and more importantly, the application of the theories in the real life situations. Appreciation and understanding of the theories are relatively simple but the real value lies in the application. What is true success anyway? Even in this apparently upside-down world, how we can stay ahead, stay on course and come out as winners are no longer simple. To this end, we have developed a Program titled How to Succeed in Business and in Personal Life to help clients and their staff to cope more effectively with the day to day working and living. This will be a one-day program and the participants after completing the program will have the opportunities:

1. To gain a sound and useful knowledge of motivational theories.
2. To gain a practical knowledge about goal-setting and to appreciate how his effort will related to the goals of the department and those of the organization.
3. To learn the key qualities which should be important in fostering the individual values impacting on individual and corporate wellbeing.
4. To understand the importance of working together as a team and of relating all the individual effort toward the achievement of the organizational goals.
5. To achieve personal and organizational success.
6. To achieve a confident living in this ever changing and fast paced world.

We shall be very happy to explore with you further if this subject interests you.

For further information, please contact us at:
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Partners of Horton International China, a human resources and general management consulting firm located in Shanghai, with offices in Beijing, have already presented two articles dealing with Human Resources Management and General Management in China. In the Bulletin 1 and 2 the following topics have been discussed: staff recruitment, intercultural differences, staff retention, compensation and benefits, termination and downsizing, interim management support, staff and payroll outsourcing, policies and procedures as well as other general management and human resources aspects.
Our belief is, "When you solve people problems, most of the other problems will disappear". Horton International China is a human resources and general management consulting firm specialized in executive search, management and payroll outsourcing, termination, downsizing, strategy diagnostic of China business, organization development, corporate culture & business ethics program development and character first program.

Job Market: Increasingly Competitive

Recent reports of the Ministry of Labor and Social Security show that the job market is becoming more and more competitive, and that the huge difference in the wages of different workers persists.

According to a survey of the ministry, the average annual salary of employees at domestic private firms equaled 7,443 Renminbi (US$ 896.75) in the year 2000. The average annual salary of those working in collectively-owned enterprises amounted to 7,642 Renminbi (US$ 920.72). On top ranked the employees in foreign firms and overseas firms, with an average annual wage of 15,037 Renminbi (US$ 1,811.69) and 12,547 Renminbi (US$ 1,511.69) respectively.

Separated by industry, workers in the agricultural, forestry and fishery sector, with an average income of 7,650 Renminbi (US$ 921.69) to 8,282 Renminbi (US$ 997.83) a year, lag far behind of employees in the financial sector, who earned most, a yearly average salary of 16,033 Renminbi (US$ 1,932).

Another survey of the ministry illustrates that the number of job seekers is highly surpassing the number of jobs available. In the second quarter of this year, there were 2.22 million registered job searchers at local employment offices in 62 major cities, while there were only 1.54 million jobs available.

And while unemployment is growing, re-employment opportunities shrink, shows a third ministerial survey, done in 10 major cities.

More than 50 per cent of the unemployed is under 35 years old. Thirty per cent of unemployed population never had a job, while 10 per cent said currently not to want or need a job. Most of the jobless, however, were concerned about the possibilities of getting government support, or immediately finding a job.

The Ministry of Labour and Social Security will also tighten the regulations within the labor market service sector to improve the protection of job-hunters. Since 1999, local authorities closed 2,000 intermediary employment agencies because of illegal practices that harmed customers, and ordered another 7,000 to make changes.

Source: China Human Resource Newsletter

Foreign Headhunters Face Restructuring

According to Chinese media announcements, foreign headhunters in Shanghai will be forced to register with the government and find a Chinese partner by the end of the year.

Officially, business for headhunters has been formally allowed since 1 October this year, but most of the renowned international executive search companies are already in China for more than five years, mostly with a different business license.

As a part of China's accession into the World Trade Organization (WTO) the country has to regulate this industry. That proves for foreign firms that the accession does not mean big party time, but can cause also serious new challenges and might even close down roads they have been walking on illegally.

The government will check the professionalism of the firm before it will issue a license. Licensing will be issued on a provincial level, hindering those executive search companies that work in different cities, since they might face different qualifications in different provinces.

Foreign firms have to form joint ventures with domestic partners, the China Daily already wrote, although it did not disclose how the equity should be divided between the foreign and the Chinese partner.

Source: ChinaBiz

Major Cities Improve Employment Rules

The local government of China's main cities, Beijing and Shanghai, recently implemented regulations that improve the status of jobseekers and part-time workers respectively.

The Beijing city government put an end to the rule that only people with a local residency permit, or hukou, can apply for jobs in the city. It thereby seems one step ahead of the national government that wants to abolish the rule for the whole country.

The regulations have been changed to improve Beijing's competitiveness domestically and internationally, Yang Yonghe, director of the local Personnel Market Management Office, told the South China Morning Post. He described the old requirements as a legacy of the planned economy, which no longer fitted in today's market economy.

Meanwhile, the Shanghai government authorized regulations on a minimum wage and social-welfare payments for part-time workers, which before did not exist. The minimum salary is 4 Renminbi (US$ 0.48) an hour, plus bonus for medical, retirement and unemployment insurance. Part-time employees should pay 9 per cent of their wages to social premiums, while employers should supply 36.5 per cent, both the same percentages as for full-time workers.

The idea of part time work did not exist until very recently. Employees in the big cities would also discard a part time job as a possibility they would rather not consider, but the economic pressure on the labor market might force some groups to accept more flexibility in their labor conditions.

The new rules are meant for registered workers who work for less than 50 per cent of the statutory hours (8 hours a day/5 days a week). Students and in-home workers, such as nannies, are excluded.

Source: China Human Resource Newsletter

Attracting and Retaining People

Recruit the best possible employees, keep the current staff satisfied, and cope with bringing bad news in case of lay-offs. Human Resources managers in each company, however small or big, have to deal with it on a daily basis. C-HR.net asks them how they do it.

Asia Pacific Human Resources Vice President Rick McAndrew on HR in China at Telecommunication Giant Alcatel

Local newspaper advertisements and Internet recruitment are part of the Alcatel strategy, as well as stands at tradeshows and visiting prominent universities and colleges in search for talent. Last year, the world leader in telecommunications and Internet even started an online recruitment website for the whole Asia Pacific region. Alcatel China found out that the best way to find good personnel is to ask those who might know best who and what the company needs: the employees they have already.

Alcatel set up an employee referral program, which turned out be the greatest success in the hunt for new talent. Through this program, internal employees only introduce those people who are qualified to a vacant position. The HR department rewards employees who successfully introduce a candidate to the company with a bonus ranging from US$ 300 to US$ 5,000.

A cost efficient tool, as there is no need to hire a recruitment agency or organize other recruitment efforts. And proven very time efficient as well. “The HR department is more likely to accept the candidate after a face-to-face interview, while the candidate is more likely to accept the offer”, explains Alcatel Asia Pacific Human Resources Vice President Rick McAndrew. “In the first five months of this year, 38 per cent of the recruitment for Alcatel China has been achieved through employee referral.”

In general, Alcatel China faces no major problems recruiting the people it needs. Though there are some areas where skills are scarce and competition fiercer, such as sales management. “In addition it is sometimes a challenge to find people with the right telecommunications experience required to provide the network solutions our costumers need. The ability to attract and retain these people in a very competitive and tight market is one of Alcatel’s competitive advantages”, says McAndrew.

The perspective of ongoing career development and new challenges will keep employees longer within and more loyal to the company, believes Alcatel. Therefore, staff members are e.g. offered training and other learning possibilities, including an online virtual Alcatel classroom, where employees worldwide have access to necessary knowledge. A competitive wage and attractive benefits, plus a feeling of being respected and appreciated should do the rest.

As any other company, Alcatel strives to avoid lay-offs, and currently business in the region continues to grow. Handling lay-offs is always a difficult issue, but Alcatel recommends to ease the pain with a strategy in which ‘communication’ is the keyword. McAndrew: “You always have to keep employees well informed about the company’s outlook and other aspects that can affect their future. In case of lay-offs, HR should make clear why the action is taken, and take care of those laid off, helping them with outplacement services and severance packages.”

Alcatel’s policy is that those remaining in the company get attention too. “It’s important to assure that they have a vision of the future and remain motivated working for and supporting the company”, concludes McAndrew.

Source: China Human Resource Newsletter

Real or Fake?

A crucial aspect for successful hiring in China is the quality of a candidate’s credentials. However, experience shows that employers should verify a candidate’s education and employment history, as counterfeit certificates are available. For example, fake degrees from many famous Chinese universities, and even from some overseas universities, can be bought for as little as RMB 200 in major Chinese cities. Whilst the practice is not widespread, it is still prudent to verify the validity of such documents, which is best done by contacting former employers or universities.

Source: Fiducia Newsletter

Ciba Specialty Chemicals

New China Region Operational Head Office in Shanghai

The official opening ceremony of Ciba Specialty Chemicals' new operational head office for China Region was successfully held on 10 August 2001 in Shanghai. It marks a major step of the company's commitment to establish a strong presence in China.

When Ciba's business activities in China started, back in 1886, Shanghai played an important role in the company's development. After the economic reforms in People's Republic of China during the 80s, Ciba established 7 joint-ventures in Shanghai, Qingdao, Guangzhou, Panyu, Xiangtan and Shenzhen. The company was amongst the first chemical companies that incorporated a holding company in Beijing in 1993. With the establishment of the new operational head office, all regional corporate functions along with most of the business segments and business lines are located in Shanghai.

The consolidation of Ciba Specialty Chemicals' activities in China has not just to be seen as a one time strategic activity. The company has been gradually shifting their centers of businesses gravity into the country for several years. For example, its Plastic Additives Segment has moved its regional center to Shanghai in 1998. Textile Effects Segment has started a project in Panyu in 1999 and is building a strong presence in the south including a technical center for Asia-Pacific which will also open shortly.

The new office in Shanghai gives Ciba Specialty Chemicals a stronger base for the development and growth of its business in P R China. It is convinced that today's activities are an excellent basis for further growth and prosperity in the region.

Ciba Specialty Chemicals

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The inauguration ceremony of the new China Region Operational Head Office: (f.l.t.r.) Richard Hartland, President, China Region; Franz Gerny, Global Head of International Coordination & Human Resources and Albert Kappeler, Finance Director, China Region.

A typical office of 21st century – the new office of Ciba Specialty Chemicals in Shanghai is modern, comfortable, colorful and bright.

tities, enhance the performance, look and feel of the final product. Business success is driven by our long-term strategy of innovation and continuous operational improvements. Ciba brings new and creative thought to the processes and products of our customers in more than 120 countries. Ciba's continuing operations generated sales of CHF 7.9 billion in 2000 and CHF 293 million was spent on R&D to foster innovation across the company. In China, we have to-date invested over 150 million US dollars and employing about 800 employees in the region. Our services and products serve industries in the fields of plastics, inks, paints, coatings, textiles, fiber, paper, packaging, automotives as well as home and personal care.

For further information, please contact:
Region China Communications
Ciba Specialty Chemicals
Tel: 86-21-6236-5577
Fax: 86-21-6236-5578

Insurance License for "Zurich"

Zurich Financial Services has received a binding commitment for a license to conduct non-life insurance business in China. The license is being granted in light of China's WTO admission and the prior negotiations between the Swiss government and China. The license grants Zurich permission to open a branch in one of China's "open cities" from which it will be able to service its international customers directly. With a total premium volume of USD 19.5 billion, China ranks as one of the largest insurance markets. Zurich has been present in the Chinese market since 1992 with representative offices in Beijing, Guanzhou and Shanghai. In December 2000, Zurich acquired a holding of 10% in China's fourth largest private life insurance company, New China Life, one of the few companies to hold a nationwide license for the life insurance business. In total, 8 European insurance companies were granted new licenses. The new approvals bring the total number of licensed foreign insurers to 26, while the number of domestic insurers stands at only 13.

Source: Company press release

ABB Continues its Growth in China

Acquisition of Major Stake in Xiamen Electrical Controlgear Factory

ABB reached an agreement with Xiamen State-Owned Assets Investment Company to acquire 80% shares of the Xiamen Electrical Controlgear Factory. The acquisition further enhances ABB's leading position in the medium voltage switchgear market in China, expanding the existing product portfolio of locally produced switchboards and outdoor equipment. In China, ABB is already a market leader for a full range of power technology products such as transformers and switchgear. This is the fourth plant in Xiamen and the 27th in the country, making Xiamen a major production base for ABB for high voltage, medium voltage and low voltage electrical equipment.

Source: ABB press release

USD 360 Million Order for China Power Transit Job

Swiss-based engineering group ABB Ltd. has won a USD 360 million order from State Power Corporation of China. Under the contract, ABB will build a 3'000 megawatt link delivering power from hydroplants in central China to the industrial region of Guangdong, 940 kilometers away. ABB said the order was the second major project in China in two years.

Source: AWSJ

Syngenta – New Member of Swiss Center

The Swiss Center Shanghai, a business-enabling facility for companies entering China, celebrated its one year anniversary by welcoming international agribusiness giant Syngenta as a member of the Center. Syngenta's membership to the Center underscores the value offering that incubators like the Swiss Center can provide to large companies, as well as the small and medium enterprises that are its natural customers.

Syngenta's China General Manager John Barnes underscored this value when he explained, "The Swiss Center shares Syngenta's committment to sharing technology, education and management with China, by encouraging new investment in China by Swiss companies. As the leading agribusiness company in the world, headquartered in Switzerland, Syngenta believes that being a member of the Swiss Centre is being a part of Switzerland's investment in China's future. In addition, although many leading companies like Syngenta have committed to significant investment in China, we believe that encouraging small and medium enterprises to bring their unique technologies and know-how to China drives forward the growth of a dynamic and strong business environment in China, as well as further research and development and all of the resulting progress that is linked to breakthrough scientific work being done in China."

The development of agriculture in the region has become critical. The development of China's, which is largely dependent upon agriculture, has become a high priority on the Central Government's agenda. Syngenta is sharing this responsibility with the government and confirms its long-term commitment with a research fund for selected universities and key research institutes. Syngenta's vision is to deliver better food to a better world through extensive crop solutions. Syngenta ranks number one in crop protection and number three in high-value commercial seeds. Syngenta collaborates with over 400 universities, research institutes and private companies worldwide. Its membership in the Swiss Center is another step for Syngenta in supporting start-ups and assuring that China's agricultural sector can utilize the world's best technologies to feed its growing population.

Swiss Center founder and General Manager Philippe Zwahlen commented on Syngenta's pledge, "The Swiss Center was founded to build a bridge for western companies in China by providing a platform for quick starting operations – utilizing best practices and minimizing tough learnings by providing operational facilities, trained employees and seasoned advisors to businesses & institutions who know that China is a part of their future."

The Swiss Center Shanghai is a not-for-profit joint-venture between Foundation Swiss Centers and Xinzhuang Industry Park (XIZ), launched in September 2000. SCS is a unique platform integrating 4'000 sqm of exhibition, office & industrial space with support services provided by independent China professionals, experts in their field. Swiss Center Shanghai minimizes investments, risks and operational costs for companies

Agribusiness giant Syngenta welcomed as a member of the Swiss Center Shanghai.

starting-up in China, to give them a strategic advantage in the global economy. Among others the SCS will gather the first international hotel school in China and the first Swiss high-precision turned parts company. To date 30 companies have confirmed participation in the project.

The SCS project is steered by a committee of Swiss and Chinese Executives gathering extensive Swiss, international and Asia/China business experience with SMEs and large corporations, including Nestlé, General Motors, EDS and Philipp Morris.

These combined with the economies of scale generated by the SCS network of participants and local funding by the Sino-Swiss Partnership Fund, will allow SMEs to enjoy competitive advantages that were previously reserved to large companies.

Source: Swiss Center Shanghai

Nestlé further Strengthens its Position in China

Nestlé S. A. has signed an agreement with Haoji, the second largest chicken bouillon producer in China, to form a joint venture – Sichuan Haoji Food Co. Ltd. – 60% owned by Nestlé and 40% by Haoji. Based in Sichuan Province, Haoji manufactures and sells chicken bouillon and Sichuan-type spicy pastes under the Haoji brand, which is included in the transaction. This latest joint venture further strengthens Nestlé's position in China, complementing its fast-growing culinary business. The rapidly growing bouillon market in China is expected to become the world's largest bouillon market.

This investment in the increasingly important western part of China gives Nestlé additional access to and expertise in the world famous Sichuan cuisine. The transaction complements Nestlé's autumn 1999 acquisition of a majority participation in Totole, the undisputed leader in the chicken bouillon market in Eastern China and ensures the Group's leadership in the bouillon sector in China. This strategic joint venture also reinforces Nestlé's strong commitment to China where Nestlé has already achieved a sustainable profitable growth. Even before the latest joint venture, Nestlé had 18 JV factories in China employing 6'000 people and achieving an annual turnover of USD 500 million. In all of its joint ventures Nestlé holds a majority share (>50%) and is in charge of operations.

Source: Company press release

Shangri-La to Invest US$ 400 Million in China

Shangri-La Asia will invest USD 400 million in China in the next four years in new hotels and expansion of existing property. The Hong Kong-based company has 16 hotels in major Chinese cities.

With almost 20,000 rooms in Asia, Shangri-La is the largest Asian-based luxury hotel company in the region. It operates hotels in China, Hong Kong SAR, Fiji, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Taiwan and Thailand with five more hotels opening in the next few years: two in Dubai, Oman and two in mainland China.

New "Rate Break"

Shangri-La Hotels and Resorts has launched 'Rate Break', a new value-for-money promotion at all 38 of its properties in Asia. From now until the end of February 2002 there are savings of up to 40% at Shangri-La and Traders hotels, as well as added benefits such as complimentary breakfast.

In addition, the group is offering double mileage at all hotels during the same promotional period for members of 22 frequent flyer programmes.

Commenting on the promotion, Carmen Lam, Shangri-La's Group Sales and Marketing Director, said: "The combination of specially reduced rates and double mileage with Shangri-La's renowned luxury and its highly personalised, award winning Asian hospitality makes staying at any of our properties superb value for the business and leisure traveller."

For reservations please contact the nearest Shangri-La sales and reservations office or book on-line at www.shangri-la.com. The "Rate Break" promotion is fully commissionable to travel agents at 10%.

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40 Years of WWF

When some of the world's scientists and conservationists met in Zurich, Switzerland, 1961 to plan how to publicise the threat to wildlife and wild places and to raise funds to support conservation projects, they decided to launch WWF (World Wide Fund for Nature). They needed a symbol, and at the time Chi Chi, the only giant panda in the Western world, had won hearts of all that saw her at the London Zoo. She was a rare animal, like her wild panda cousins in China, and her form and colour were the ideal basis for an attractive symbol. The giant panda's distinctive features remain an integral part of WWF's treasured and unmistakable symbol.

Today, WWF is the world's leading conservation organisation. WWF offices in over 50 countries have carried out over 12,000 projects in 154 countries since its establishment. Some 5 million members support the WWF world-wide. WWF has its international headquarters in Gland/VD, Switzerland.

WWF was the first non-governmental organisation ever to receive an official invitation from People's Republic of China: In 1979 Sir Peter Scott lead a WWF delegation to sign an agreement in Beijing for conservation cooperation with China. The highlight of the agreement was the formation of the WWF-China committee. It initiated high priority-projects in China, the first of which was the conservation of the giant panda. Today, WWF China has a comprehensive conservation programme and its headquarters is in Beijing.

Where are the pandas?

It's an obvious question if you go to a panda reserve. And here in the Wanglang reserve, on the bamboo forested slopes of the Tibetan Plateau in southwest China, they reckon they have 32 of them. It's just that nobody has seen one in the wild for three years now. Not Chen Youping, the reserve manager; not Zhou Minghuai, gatekeeper, occasional panda nurse and the fastest thing on two legs up the steep hillsides of the reserve; and certainly not the anti-poaching teams or the tour guides.

"We know they are here by their droppings", says Zhou, as he leaps another stream and pounds up a one in two slope. And giant pandas certainly leave a lot of droppings. They eat up to 40 kilograms of bamboo a day. The fibrous shoots are hard to digest and four kilos out of five swiftly come out the other end.

Back in the reserve office – a bare and freezing room adorned only by an ancient stuffed panda propped up in the corner – deputy manager Jiang Shiwei proudly shows off his digital maps. They show the locations of drop-

© WWF – Giant Panda relaxing in the wild.

pings found on the 42 regularly patrol routes round the reserve – all pinpointed to the nearest metre or so using new portable global positioning devices carried by Zhou and his colleagues.

They reveal that most pandas congregate in the lowest of the three valleys in the 32 000-hectare reserve near the gatehouse. This has prompted managers to shut off the area to the visitors who increasingly drive up here during Chinese public holidays in May and October.

Wanglang lies in Pingwu county in the far north of Sichuan province, where 80 per cent of the world's thousand or so giant pandas now live. At almost 40 years old, it is a model reserve, with a permanent and enthusiastic staff. They endure primitive state-supplied living conditions, with inadequate heating, a temperamental electricity supply from a hydroelectric generator in the stream, and a single standpipe in the yard for water.

But thanks to the WWF, they have regular visits from foreign scientists, the latest computer gear, a digital camera and positioning devices to map the reserve and its inhabitants.

And for five years now the WWF has been helping to tackle the inevitable problem of poachers through environmental education and finding alternative means of livelihood for local villagers. Such work is vital, says Chen. Two-thirds of the pandas here live outside the reserve. So he has joined forces with local villagers – many of them skilled hunters – to mount patrols beyond the reserve boundaries to deter poachers and look out for signs of pandas.

Poachers don't generally target pandas. Even China's rapacious traders in bear bile, deer musk, tiger bones and seal penises, draw the line at panda pelts – not least because until a couple of years ago the penalty for panda poaching was execution. But pandas do get caught in traps set for other species. In Wanglang last year, arrests for poaching doubled. Most poachers are looking for takin, a type of Asian antelope.

Wanglang's panda population has gone up and down over the years. When the reserve was created in the mid-1960s as one of the country's four original panda reserves, there were an estimated 66 giant pandas here. A decade later, after mass starvation and a major earthquake, only 19 remained. Now numbers are back above 30, and apparently stable.

Wanglang isn't the biggest home of China's pandas. But, says Jiang, "geographically, it is very important. We are part of a corridor of panda habitat that stretch round the northern edge of Sichuan." Individual pandas do not go far most of the time. But when cubs leave their mothers to fend for themselves, they often travel tens of kilometres to find new territory. They will, as researchers have recently discovered, cross mountain tops and endure serious privations en route.

This is vital to minimise inbreeding, an emerging problem as panda numbers dwindle and habitats fragment. So corridors of panda habitat, containing forest for shelter and bamboo undergrowth for food, are vital to the genetic vitality of the surviving population.

Perhaps the worst threat to Wanglang has passed with the introduction of a national logging ban in 1998. Before then, loggers were clear-felling the hillsides almost to the reserve's border, wrecking prime panda habitat as they did so. The ban has been almost entirely successful.

© WWF/Lu Zhi
Pandas' breeding success in the wild is much higher than in captivity.

I met Wei Qingrong, director of Pingwu's forestry bureau, three years ago his job was to ship us much timber out of his mountainous district as he could. Over 30 years some 2 million cubic metres of timber were logged from this county alone, he said. But now his number one task is protecting the 300 or so pandas in his county. "I think I am in charge of more pandas than anyone else in the world," he told me proudly.

But economic development continues to creep up the valleys. One piece of prime panda habitat outside the reserve is about to be split in two by a 10-kilometre long reservoir behind the planned Fujiang hydroelectric dam. The dam will power Mianyang, a city recently earmarked as China's very own high-tech "silicon valley", and the provincial capital, Chengdu.

Wanglang and Chengdu represent two possible futures for the giant panda. Chengdu calls itself the city of the panda and has a Panda Breeding Centre. Here tourists come to see and be photographed with the creatures, and electronics and cigarette companies vie to sponsor the animals and put up their nameplates. But it is in the quiet solitude of places like Wanglang, far from the sponsor's hoarding and the tourists' photo-opportunity where the future survival of this most endangered of species will be secured.

By Fred Pearce, Wanglang, Central China

Further information on the WWF Panda Programme:

Giant Pandas in the Wild, 2001 A WWF Species Status Report available from
WWF Switzerland
Hohlstrasse 110
8010 Zurich
Tel: 01 297 21 00
service@wwf.ch
www.wwf.ch
www.wwfchina.org

Membership Card Values

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

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

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

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China Restaurant Astoria
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✆ 032-322 83 22 Fax 032-322 83 63

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Cheng's China Restaurant (mit Seeterrasse)
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CH-8640 Rapperswil
✆ 055-210 17 70 Fax 055-410 14 51

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