Impressum

Publication:

Quarterly Information Bulletin of the Swiss-Chinese Chamber of Commerce

Circulation:

In print approx. 1'200 Ex. and also on the Website.
To the Members of the Chamber and of the Chapters in Geneva, Lugano, Beijing and Shanghai; among them the leading banks, trading companies, insurances and industrial firms. To Trade Organisations, Government Departments, leading Chambers of Commerce in Switzerland, Europe and China.

Responsible Editors:

Susan Horváth,
Managing Director
Paul Wyss,
Vice President

Swiss-Chinese Chamber of Commerce
Alderstrasse 49
CH-8008 Zurich
Switzerland
Tel. 01 / 421 38 88
Fax 01 / 421 38 89
e-mail: info@sccc.ch
Website: www.sccc.ch

Printing:

werk zwei
Print + Medien
Konstanz GmbH
P. O. Box 2171
CH-8280 Kreuzlingen
Switzerland
Tel. 0049/7531/999-1850

Advertising:

Conditions available at the Swiss-Chinese Chamber of Commerce

Deadline for next issue:

1/02 March 15

Contents

Board of the Swiss-Chinese Chamber of Commerce

Executive Committee:

President:

Dr. Manfred Zobl	CEO and President of the Corporate Executive Board, Swiss Life, Zurich

Vice Presidents:

Dr. Jörg Wolle	CEO, SiberHegner Holding Ltd., Zurich
Paul Wyss	Erlenbach

Treasurer/Vice President:

Dr. Daniel V. Christen	Vice President at SGS Société Générale de Surveillance S. A., Geneva

Secretary:

Franziska Tschudi	CEO, Wicor Holding AG, Rapperswil

Members:

Dr. Theobald Tsoe Ziu Brun	Attorney-at-Law, Brun studio legale e notarile, Lugano
Urs Hecht	CEO, Edward Keller Ltd., Hong Kong designated Head Asia, Edward Keller Ltd., Zurich
Susan Horváth	Managing Director of Chamber
Esther Nägeli	Attorney-at-Law, LL. M., Partner, KPMG Legal, Zurich
Dr. Marc Ronca	Attorney-at-Law, Partner, Schellenberg Wittmer, Zurich, Geneva, Zug

Honorary Members:

Dr. Uli Sigg	former Swiss Ambassador to China, Mauensee
Dr. Marc Ronca	Past President of Chamber, Zurich

Board:

Maurice Altermatt	Head of External Affairs Department, Federation of the Swiss Watch Industry, Biel
Ester Crameri	Confiserie Sprüngli AG, Zurich
Dr. Markus Dennler	CEO, Winterthur Life & Pensions, Winterthur Member of Executive Board CS Financial Services
Markus Eichenberger	Manager ExpoLogistics overseas, Natural AG, Basle
Dr. Richard Friedl	Vice President, ABB Switzerland, Baden
Bruno W. Furrer	CEO, BF Bruno Furrer Consultant, Zurich
Michael W. O. Garrett	Executive Vice President, Nestlé S. A., Vevey
Alfred Gremli	Managing Director, Credit Suisse Group, Zurich
Peter Huwyler	Head International Banking, Member of the Board, Zürcher Kantonalbank, Zurich
Dr. Beat In-Albon	Vice President, Lonza Ltd., Basle
Alexandre F. Jetzer	Member of the Board of Directors, Novartis AG, Basle
Dr. Beat Krähenmann	Director, F. Hoffmann-La Roche Ltd., Basle
Pierre L. Ozendo	Member of the Executive Board, Swiss Re Group, Zurich
Nicolas Pictet	Partner, Pictet & Cie., Geneva
Dr. Erwin Schurtenberger	former Swiss Ambassador to China, Minusio
Erwin A. Senn	CEO, T-Link Management Ltd. Worldwide Transportation Engineering, Freienbach
Dr. Kurt E. Stirnemann	CEO and Board Delegate of AGIE CHARMILLES Group, Losone
Peter G. Sulzer	Executive Director, Wärtsilä NSD Corporation, Zurich (former New Sulzer Diesel)
Marco Suter	Chief Credit Officer, Member of the Group Managing Board, UBS AG, Zurich
Thomas P. van Berkel	President, Nitrex Ltd., Zurich

Geneva Chapter

President:

Dr. Daniel V. Christen	Vice President at SGS Société Générale de Surveillance S. A., Geneva

Vice President:

Maître Philippe Knupfer	Lawyer, LL. M., HSCB Republic, Geneva

Secretary:

Dominique Perregaux	CLSA (S-E Asia) Ltd., Geneva

Treasurer:

Bernard Büschi	Chairman, Bernard Büschi & Cie., S. A., Geneva

Board:

Marcel Ch. Clivaz	President, Swiss Hotel Association, Crans-Montana
Amy Qihong Li	Négoce International, Credit Suisse, Geneva
Nicolas Pictet	Partner, Pictet & Cie., Geneva
Jean-Luc Vincent	President, Salon International des Inventions de Genève
Herbert Schott	Manager, Hôtel Intercontinental, Geneva
Jean-Nicolas Thalmann	Director, O. P. I. (Office de la Promotion Industrielle), Geneva
Yafei Zhang	Assistant de Direction, Shanghai Overseas, Geneva

Lugano Chapter

Chairperson:

Dr. Theobald Tsoe Ziu Brun	Attorney-at-Law and Notary, BRUN Studio legale e notarile, Lugano

Executive Committee Members:

Erich Bär	Plant Manager, Agie Ltd., Losone
Xujing Chen	Lugano
Walter Landolt	Attorney-at-Law, Lugano

Legal Chapter Zurich

Chairperson:

Esther Nägeli	Attorney-at-Law, LL. M., Partner, KPMG Fides, Zurich

Legal Chapter Geneva

Chairperson:

Maître Philippe Knupfer	Lawyer, LL. M., HSCB Republic, Geneva

Here for You

in Switzerland:

Swiss-Chinese Chamber of Commerce
Alderstrasse 49
CH-8008 Zurich

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

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

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

Camera di Commercio Svizzera-Cina
c/o Brun Studio Legale e Notarile
Via Ariosto 6
Case postale 2298
CH-6901 Lugano

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

Legal Chapter Zurich
c/o KPMG Legal, Zurich

Phone	+41-1-249 30 07
Fax	+41-1-249 23 23
E-mail	enaegeli@kpmg.com
Chairperson	Esther Nägeli

Legal Chapter Geneva
c/o HSCB Republic, Geneva

Phone	+41-22-705 56 32
Fax	+41-21-734 22 13
Chairperson	Maître Philippe Knupfer

in China:

Swiss Chinese Chamber of Commerce Beijing
c/o Embassy of Switzerland
Sanlitung Dongwujie 3
Beijing 100600

Phone	+86-10-6532 1515
Fax	+86-10-6532 1515
E-mail	scccbei@public.bta.net.cn
Website	swisschinacham.org
President	Dr. Urs Buchmann

Swiss Chinese Chamber of Commerce Shanghai
c/o Credit Suisse Financial Services, Shanghai
17/F South Tower
Shanghai Stock Exchange Bldg.
No. 528 Pu Dong Road (S)
Shanghai 200120

Phone	+86-21-6881 8420
Fax	+86-21-6681 8419
E-mail	peter.a.marti@csfs.com
President	Peter A. Marti

Logistics. Worldwide.
With a strong presence on every continent, the Danzas Group is the world's leading provider of logistics solutions. Its 43,000 employees worldwide generate net sales of EUR 8.3 billion (USD 7.8 billion, CHF 12.9 billion) in 2000. Danzas is based in Basel, Switzerland, and belongs to the Deutsche Post World Net.

DANZAS AEI
INTERCONTINENTAL

Around the globe

Worldwide no. 1 in air freight and a leader in ocean freight, Danzas and AEI together offer a world-spanning network and truly comprehensive service. Intercontinental covers all air freight requirements and, on the high seas, worldwide full container loads and scheduled general cargo services linking the world's main markets. It saves you both time and money by offering the best freight transport combinations as well as all logistics functions for large infrastructure and industrial projects.

Deutsche Post World Net
MAIL EXPRESS LOGISTICS FINANCE

G&B

Danzas AG, Direktion Schweiz · St. Jakobs-Str. 222 · CH-4002 Basel · Tel. +41 61 315 96 38 · Fax +41 61 315 96 40 · www.ch.danzas.com

President's Message

With the start of the year 2002 we look back at a truly turbulent 2001. The worldwide economic slowdown brought to an end a long euphoric boom, with no early improvement in sight. The savage terrorist attacks at the US and their inherent menace to the values of free societies threw millions of people into disarray. Fortunately, governments and international organizations reacted forcefully to the brutal challenge with a powerful fight against terrorism and with adequate economic measures. The WTO conference at Doha gave strong signals for a continuation of global trade talks. The conference also marked the admission into WTO of China and Taiwan. Our Chamber and its members are pleased at the prospect of the vast Chinese market opening further to foreign products, services and investments, whilst in turn Chinese goods will find easier access to overseas markets.

2001 has been a positive year for the Chinese economy despite the global downturn. With an expected GDP growth of 7.4%, a trade surplus of about US$ 20 billion, foreign investments of about US$ 45 billion and the world's second largest foreign exchange reserves of US$ 203 billion the country stands out in the world economy. China's international standing has been further enhanced by the successful bid for the Olympic Games 2008 which is enthusiastically supported by the people and which promises to become a big success.

Our Chamber is looking back at a very active year 2001. In Switzerland our events were well attended and enquiries for information on China were brisk. In China, the Chapters in Beijing and Shanghai, which also organized numerous events, were transformed into an official Swiss-Chinese Chamber of Commerce, which certainly raises their status.

On this occasion I should like to express my gratitude to all those in Switzerland and in China who have supported the Chamber in the past year. A special thanks goes to Susan Horváth, Managing Director in Zurich, for her continuous and untiring commitment.

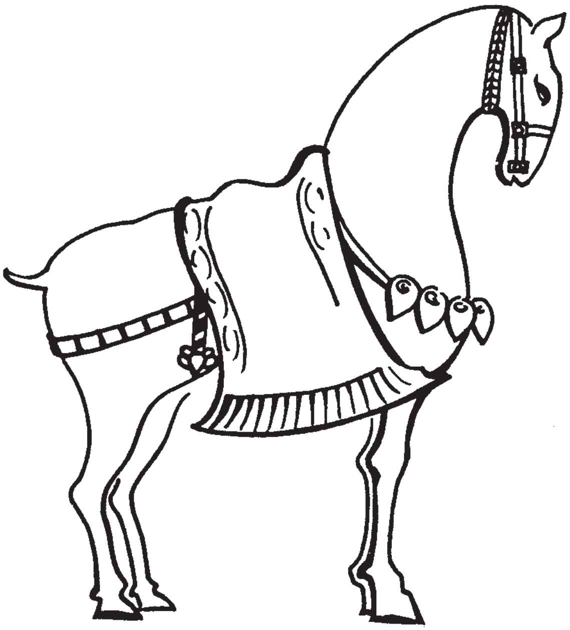
I also wish to present our thanks on behalf of all our members to Commercial Counsellor Wu Yu Ren and to Consul General Li Duanben who are concluding their stay in Switzerland. Both gentlemen have made a great contribution to Swiss-Chinese business relations and won our respect and friendship. We wish them all the best in their future assignments.

The year of the Horse stands for a good harvest. In this sense, may the new year bring you and your partners prosperity and plenty of success in the mutual endeavour of strengthening the excellent relations between China and Switzerland.

Zobl

Manfred Zobl
President

Year of the Horse



The Chinese Zodiac

The Chinese pantheon includes numerous gods who can influence everyday life for good or evil. Unlike the Western zodiac, the Chinese zodiac does not attempt to predict the future on a day-to-day basis, but gives an indication of the characteristics of people born under the various signs.

1918 * 11930 * 1942 * 1954 * 1966 * 1978 * 1990 * 2002

Strength, stamina and speed are the Horse's outstanding characteristics. His amiable, carefree nature makes him popular.

Those born in the Year of the Horse really do seem to gallop through life as if nobody else counted, and obey orders only when it suits them. Every sixty years, the Year of the Fire Horse comes around (1906 * 1966 *). Those born during this year will have basic Horse characters but be endowed with superior wisdom. A child born in a Fire Horse year will bring strife to his family, according to Chinese beliefs.

Horse ladies can be strong, selfish and practical, which often makes them unlucky in love. However, their sense of humour helps offset their stubbornness.

Although usually blessed with talent, the hardworking, pragmatic male Horse is supremely egotistical and self-oriented. He demands devotion and fidelity.

Goats, Tigers and Dogs make good mates for the Horse, but the devious, tricky Monkey will drive them crazy.

Harro von Senger

Die Kunst der List

Strategeme durchschauen und anwenden

Das Durchschauen und Anwenden von List wurde in China seit alters hoch geschätzt und kultiviert. Als einzige Zivilisation der Welt hat China unterschiedliche Überlistungstechniken benannt und systematisch zusammengestellt. Von diesem Katalog der 36 Strategeme, der jahrhundertelang geheim gehalten wurde, gilt es zu lernen. Harro von Senger zeigt in diesem Buch anhand vieler praktischer Beispiele, welche Listen in schwierigen Situationen zur Verfügung stehen und wie man sie richtig anwendet. Darüber hinaus gibt er Hinweise, die helfen sollen, gegen einen selbst gerichtete Strategeme anderer besser zu durchschauen.

Harro von Senger ist Professor für Sinologie an der Universität Freiburg i. Br. Einem grösseren Publikum wurde er durch sein zweibändiges Werk über die chinesischen Strategeme bekannt (2000).

Das Buch – erschienen im Verlag C.H. Beck oHG, München, 2001 – umfasst rund 160 Seiten und ist im Handel für ca. CHF 17.- erhältlich.

China Offers Long Holidays

China will once again give workers at state-owned enterprises the entire week off surrounding three holidays during 2002 in a bid to boost spending and ward off deflation. China began offering the extended breaks in 1999 to stimulate consumption, but some economists and business leaders have complained that the "golden weeks" do more harm than good.

Source: Dow Jones Newswire

Chinese Holidays in 2002

February 12	Lunar New Year's Day
February 13, 14	2nd and 3rd Day of Lunars New Year
May 1st	International Labour Day
May 2nd, 3rd	2nd and 3rd Day of Labour Day
October 1st	National Day
October 2nd, 3rd	2nd and 3rd Day of National Day

Next Events

Mr. Tadao Chino

President Asian Development Bank, Philippines

Asian Development Bank and Private Sector Participation in Asia

Luncheon

in cooperation with
Swiss-South East Asian Chamber of Commerce
Swiss-Korean Chamber of Commerce
economiesuisse

Wednesday, February 13th, 2002
11.15 – 14.00

at Casino Zürichhorn, Lake Side, Zurich

Chinese New Year Reception

in cooperation with
Hong Kong Economic and Trade Office, London
Hong Kong Trade Development Council, Frankfurt

Monday, March 4th, 2002
17.00 – 19.00

at Grand Hotel Dolder, Zurich
(invitation will follow)

New Members

since December 2001:

Zurich

Keller Technologies	Grüningen
Living Picture AG	Zurich
Textilverband Schweiz	St. Gallen

Geneva Chapter

OM Pharma	Meyrin
Trans Bussan S.A.	Geneva
Mister Ping CHEUNG	Petit-Lancy

General Assembly 2002

Followed by a speech by

H. E. State Secretary Dr. David Syz

Wednesday, May 8th, 2002

09.00–10.00	Board meeting (Board members only)
11.00–11.30	General assembly
11.30–12.00	Apéritif
12.00–12.30	Speech by guest of honor followed by lunch

Location in Zurich to be announced with invitation.

China Mission 2002

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.

8th to 15th June 2002
Beijing and Shanghai

Besides the opportunities in the fields of Environment, Public Transport and Life Sciences, different high-level events, conferences, thematic workshops and direct contacts will allow the representatives of the Swiss delegation to meet with their counterparts on all levels and to promote their products and services.

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

Closer Sino-Swiss Economic and Trade Relations With a Bright Future

Switzerland was not strange to me when I succeeded my predecessor as the Economic and Commercial Counsellor of the Embassy of the People's Republic of China four years ago in 1997. I had had chances to visit Switzerland. To me, Switzerland was a beautiful country with advanced manufacturing industry and good management. Its quality products and the Swiss people's pursuit of quality left me deep impression. I was just one of those many people who admired greatly the advanced technology and the people who produced them in Switzerland.

Now, after I have worked here for over four years, I become even more fascinated with Switzerland, and especially with the Swiss people. It is the Swiss people who created and are still creating miracles in this beautiful country.

Over the last four years, I have made many friends in the Swiss business circle as well as in many other fields. With their help, we have been able to promote our bilateral economic and business cooperation. I would like to take this opportunity to express my sincere thanks to their friendship and dedication.

To our delight, with China's reform and the opening-up policy, business and trade cooperation between China and Switzerland have enjoyed a strong momentum for the past twenty years. In 1997, when I first took the post, the bilateral trade between China and Switzerland totalled CHF 2.497 billion according to the statistics from the Swiss Customs. Three years later in 2000, the trade volume between our two countries increased by 48.2%, exceeding CHF 3.7 billion. During this period the export from Switzerland to China increased by 49.4% while the import grew by 47.4%. Swiss investment in China also showed fast growth. According to the statistics from the Chinese government, up till 1997 China had approved 327 projects of Swiss investment, with a total of US$ 1.375 billion of the contractual Swiss capital and US$ 0.64 billion of actually paid-in Swiss capital. Up till September 2001, China has accumulatively approved the establishment of 475 Swiss-invested projects, with the contractual Swiss capital of US$ 1.375 billion and actually paid-in Swiss capital of US$ 1.415 billion. Yet the figure of actual Swiss investment in China far exceeds those mentioned above. According to the incomplete statistics from our office and those I know, the Swiss capital invested in China may have well reached US$ 2.5 billion.

We are very happy to notice that over the last dozen years, big achievements have been made in the bilateral cooperation in trade and technology. Yet, there is still great potential for us to develop. This conclusion we draw from the study we made on the features of Sino-Swiss economic development. Firstly, Sino-Swiss trade only makes up a humble proportion of 1.5% of the total Swiss foreign trade volume, and an equally small 1% of Chinese foreign trade. It is roughly the same when we come to investment. The SNB data indicate that the capital that Swiss enterprises invested in China is also below 1%, leaving enough space for further bilateral cooperative development.

Second, the two different economic structures between China and Switzerland create strong complimentary elements. I believe those who understand our two economies would agree with me at this point. Switzerland, on the one hand, is highly developed in technology, well experienced in management and rich in capital and service industry while on the other, China enjoys a large population, big market and rich resources. In addition, China is improving greatly in perfecting laws and regulations, in infrastructure and in the quality of labor. All these can be good prerequisites to attract more advanced foreign technology and investment.

Furthermore, China's entry into WTO means opening its market even wider and strengthening its reform. There is not only the existence of the potential for bilateral development, but the potential is so profound that it will bring about cooperation in many different areas like banking, insurance, telecommunication, transportation or retail. And the reduction of tariffs after China's entry into WTO will quicken the pace of China to comply with the world economy.

I love China, and I love Switzerland too. I hope China could become a prosperous country one day, and I also hope Switzerland to play a more important role in the construction of China's economy. Many Swiss products enjoy high reputation in China. Swiss watches, army knives and chocolates are well known for their good quality. Precision instruments, lathes, pharmaceutical products, financial industry and insurance are all considered first-class with Swiss labels. The strong sense of responsibility and the pursuit of quality that Swiss people possess has been greatly recognized and highly appreciated by us Chinese, including me. Through my contacts with the Swiss business people and from my analysis on the Swiss enterprises invested in China, I come to the conclusion that the high percentage of success of Swiss investment in China owes much to your sense of responsibility. Swiss enterprises are very prudent before entering China's market. You don't jump to a decision before making careful market analysis. However, once you are determined and sign a contract, you are sure to implement and fulfill. You have set a good example for the foreign enterprises in China.

I love China, and I love Switzerland too. One is my motherland and the other excels itself in many aspects. Nevertheless, I also perceive much room for improvement in our bilateral relationship. I sincerely hope that our friendship and understanding will grow deeper and our cooperation will develop broader and quicker. An old Chinese saying goes that the deeper you love someone, the higher you expect from him, and the stricter you tend to be. For 50 years since Switzerland recognized the new China, our relationship has been developing harmoniously. Our trade and economic cooperation has achieved great success. Minor attritions do exist but we are sure to settle them in a proper way. Nothing can hinder the Sino-Swiss business relations from healthy development. Therefore I hope that our two peoples, especially people who are working in the business fields or those working for the governments, would join our efforts in strengthening our bilateral ties and enhance trust and understanding. Together we can create a more favorable environment for our cooperation to create a more fruitful future.

I am leaving my post. I am leaving Switzerland. Before I bid you adieu, please let me again sincerely wish our business and economic cooperation a bumper harvest in the new century!

Wu Juren
Economic and Commercial Counsellor
Embassy of the People's Republic of China
January 20, 2002

Expected GDP Growth in 2002: 7.4%

China's economy is expected to grow by 7.4% this year according to the State Development Planning Commission. The country's GDP is expected to reach US$ 1.16 trillion. The growth was hard to achieve and is attributed to the government's policy to foster domestic demand by channeling more money into infrastructure construction.

Industrial output climbed 7.9% year-on-year in November, down from a rise of 8.8% in October, 9.5% in September, reaching US$ 293.7 billion in January/November. The poorest performers were state-owned enterprises, which posted a 4.3% increase in November.

Retail sales in the first ten months rose more than 10% over those of the same period last year. The country's tax revenue in January/October hit a historic US$ 151.33 billion, an increase of 21.1% over last year. The central tax revenue of US$ 89.25 billion accounted for 59% of the total revenue during January/October. The local tax revenue accounting for the remaining 41% increased 21%.

The disposable income of urban residents is expected to grow by 7% for the year, while that of rural residents will increase by 4%.

China's foreign trade in January/November reached US$ 462.77 billion, an increase of 7.4% from 2000. Of the total, exports increased by 6.3% to US$ 241.57 billion and imports rose by 8.6% to US$ 221.2, resulting in a trade surplus of US$ 20.37 billion. Foreign exchange reserves stood at US$ 203 billion. Exports of machinery and electronic products showed the biggest increase. Deposits in foreign currency surged 10.6% over last year to US$ 136 billion. Foreign investments are estimated to reach US$ 45 billion by the end of the year. They are expected to accelerate in 2002 following China's entry into the WTO.

Although the slowdown in the world economy has begun to impact negatively on China's economy, the Asian Development Bank expects a GDP rise of 7% in 2002 as investments remain strong due to large public programmes and a high inflow of foreign direct investment. The ADB also predicts that as residents' incomes rise and public servants' salaries increase, China's consumption rate will remain strong.

Summary by Paul Wyss

China's Economic Figures in Recent 5 Years

	1997		1998		1999		2000		2001	
GDP	903,4	8,8%	963,5	7,8%	1010,0	7,1%	1080,0	8,0%	1190,0	7,3%
Trade	325,1	12,1%	323,9	-0,4%	360,7	11,3%	474,3	31,5%	462,8*	7,4%
Export	182,7	20,9%	183,8	0,5%	194,9	6,1%	249,2	27,8%	241,6*	6,3%
Import	142,4	2,5%	140,2	-1,5%	165,8	18,2%	225,1	35,8%	221,2*	8,6%
Forex Reserves	139,9		144,5		154,7		165,6		203,0*	
FDI	45,3	8,5%	45,6	0,7%	40,4	-11,4%	40,8	0,9%	41,9*	15,6%
Retail sales	328,6	10,7%	352,3	9,7%	376,2	10,0%	368,2	9,8%	405,5	10,1%

*Refers to the previous 11 months figure
Note: the growth rate refers to the year-on-year growth

(units: billion USD)
Source: China National Bureau of Statistics

China at a Glance

POVERTY and SOCIAL	China	East Asia & Pacific	Lower-middle-income	
2000				
Population, mid-year *(millions)*		1.262,5	1.853	2.046
GNI per capita *(Atlas method, US$)*		840	1.060	1.140
GNI *(Atlas method, US$ billions)*		1.061,2	1.964	2.327
Average annual growth, 1994-00				
Population *(%)*		1,0	1,1	1,0
Labor force *(%)*		1,2	1,4	1,3
Most recent estimate (latest year available, 1994-00)				
Poverty *(% of population below national poverty line)*		5	–	–
Urban population *(% of total population)*		36	35	42
Life expectancy at birth *(years)*		70	69	69
Infant mortality *(per 1,000 live births)*		30	35	32
Child malnutrition *(% of children under 5)*		9	13	11
Access to an improved water source *(% of population)*		75	75	80
Illiteracy *(% of population age 15+)*		16	14	15
Gross primary enrollment *(% of school-age population)*		123	119	114
Male		123	121	116
Female		123	121	114

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

		1980	1990	1999	2000
GDP *(US$ billions)*		216,2	363,0	997,5	1.076,9
Gross domestic investment/GDP		35,2	34,7	37,2	37,3
Exports of goods and services/GDP		7,6	17,5	22	25,9
Gross domestic savings/GDP		34,9	37,9	40,1	39,9
Gross national savings/GDP		34,9	38,3	38,7	39,2
Current account balance/GDP		-0,4	3,8	1,6	1,9
Interest payments/GDP		0,2	0,7	0,6	0,7
Total debt/GDP		–	15,2	15,5	13,9
Total debt service/exports		8,0	9,9	9,0	7,4
Present value of debt/GDP		–	–	13,5	–
Present value of debt/exports		–	–	58,7	–
(average annual growth)	**1980-90**	**1990-00**	**1999**	**2000**	**2000-04**
GDP	10,1	10,3	7,1	7,9	7,4
GDP per capita	8,5	9,2	6,1	7,2	6,7
Exports of goods and services	11,0	16,5	13,9	32,0	11,1

Note: 2000 data are preliminary estimates

STRUCTURE of the ECONOMY

(% of GDP)	**1980**	**1990**	**1999**	**2000**
Agriculture	30,1	27,0	17,6	15,9
Industry	48,5	41,6	49,4	50,9
Manufacturing	40,5	32,9	33,6	34,5
Services	21,4	31,3	32,9	33,2
Private consumption	50,5	49,9	47,4	47,0
General government consumption	14,6	12,1	12,5	13,1
Imports of goods and services	7,9	14,3	19,1	23,2
(average annual growth)	**1980-90**	**1990-00**	**1999**	**2000**
Agriculture	5,9	4,1	2,8	2,4
Industry	11,1	13,7	8,1	9,6
Manufacturing	11,1	13,4	8,3	9,7
Services	13,5	9,0	7,5	7,8
Private consumption	9,4	8,8	2,6	6,0
General government consumption	9,8	9,4	8,4	12,0
Gross domestic investment	10,8	11,6	3,2	7,9
Imports of goods and services	9,1	16,1	22,3	24,8

PRICES and GOVERNMENT FINANCE

Domestic prices *(% change)*	**1980**	**1990**	**1999**	**2000**
Consumer prices	6,0	3,1	-1,4	0,4
Implicit GDP deflator	5,6	5,5	-2,2	0,9
Government finance *(% of GDP, includes current grants)*				
Current renenue	25,7	19,7	15,0	15,3
Current budget balance	–	3,0	1,3	0,6
Overall surplus/deficit	-1,5	-0,8	-4,0	-3,6

TRADE

(US$ millions)	**1980**	**1990**	**1999**	**2000**
Total exports (fob)	18.270	62.091	194.931	249.210
Food	2.985	6.609	10.458	12.282
Fuel	4.280	5.237	4.659	7.851
Manufacturers	9.005	46.205	174.990	223.752
Total imports (cif)	20.017	53.345	165.699	225.097
Food	2.927	3.335	3.619	4.758
Fuel and energy	203	1.272	8.912	26.037
Capital goods	5.119	16.845	69.469	91.934
Export price index *(1995=100)*	25	78	69	67
Import price index *(1995=100)*	22	80	71	75
Terms of trade *(1995=100)*	116	97	98	90

BALANCE of PAYMENTS

(US$ millions)	**1980**	**1990**	**1999**	**2000**
Exports of goods and services	20.167	67.971	218.496	279.561
Imports of goods and services	20.859	55.537	189.799	250.688
Resource balance	-692	12.433	28.697	28.873
Net income	-100	1.055	-17.973	-14.666
Net current transfers	–	274	4.943	6.311
Current account balance	-792	13.762	15.668	20.519
Financing items (net)	–	-7.673	-7.163	-9.971
Changes in net reserves	–	-6.089	-8.505	-10.548
Memo:				
Reserves including gold *(US$ millions)*	–	16.963	161.404	171.753
Conversion rate *(DEC, local/US$)*	2,1	5,1	8,2	8,3

EXTERNAL DEBT and RESOURCE FLOWS

(US$ millions)	**1980**	**1990**	**1999**	**2000**
Total debt outstanding and disbursed	–	55.301	154.223	149.800
IBRD	–	2.865	10.400	11.118
IDA	–	3.016	8.907	8.771
Toal debt service	1.652	7.057	20.655	21.728
IBRD	–	416	1.142	1.291
IDA	–	19	117	131
Composition of net resource flows				
Official grants	7	143	201	147
Official creditors	–	1.727	1.706	1.928
Private creditors	–	–	-1.854	1.985
Foreign direct investment	57	3.487	41.015	42.096
Portfolio equity	0	0	1.808	7.814
World Bank program				
Commitments	–	953	2.097	1.536
Disbursements	–	1.098	1.756	1.907
Principal repayments	–	216	558	644
Net flows	–	882	1.198	1.263
Interest payments	–	219	701	778
Net transfers	–	663	497	485

Source: The World Bank Group, 09.06.01

Recent Foreign Investments/Joint Ventures

USA

ALCOA, US aluminium giant, is taking an 8% stake in Aluminium Corporation of China (Chalco), China's largest aluminium producer, and will have a seat on the board. In addition, the two groups will form a 50:50 joint venture in Chalco's Pingguo facility and invest in a doubling of the plant's aluminium refining capacity by 2003, from the present 400.000 tons a year.

PROCTER & GAMBLE, after introducing its daily-use products to China, is exploring a new market – the pharmaceutical sector. P&G signed a cooperation agreement with the Medical College of Nankai University in Tianjin. The cooperation, involving research in the life-science and medicine-development field, will be P&G's first pharmaceutical project in China. Its main goal is the exploration of new medicines for osteoporosis treatment.

MOTOROLA, which has about 13.000 employees in China, announced it will invest US$ 3 billion over the next five years to expand its China operations, particularly in research and development. Despite the downturn in the semiconductor industry, Motorola plans to expand capacity at its semiconductor plant in Tianjin. As one of the first foreign investors in China, Motorola's mobile phone sector has a market share of over 30%.

AOL TIME WARNER and China Central Television (CCTV) reached a landmark broadcasting accord, the first time a foreign-owned cable network's programme will be broadcast on the Chinese mainland. CETV, a US-based Mandarin-language channel acquired by AOL, will be offered to viewers in Guangdong Province starting in 2002. In return, CCTV's English-language channel will be broadcast on some AOL cable channels.

WAL-MART, the world's largest chain store retailer, plans to set up five branches in Beijing with a total floor space of 80.000 square metres. In 1996, Wal-Mart first entered China with a shopping plaza in Shenzhen. So far, there are 18 Wal-Mart stores in seven Chinese cities with a total investment of US$ 156 million. The company also plans to shift a sourcing and logistical centre from Hong Kong to Shenzhen.

INTERNATIONAL FINANCE CORPORATION, the private sector arm of the World Bank, will become the largest foreign shareholder in a Chinese bank when it invests US$ 27 million for a 15% stake in the Nanjing City Commercial Bank. The profitable regional bank lends mainly to China's booming private sector. The IFC is said to also take a stake in the Minsheng Bank, China's only private bank, pending approval by People's Bank of China.

COCA-COLA will invest US$ 150 million to build six more bottling plants in China over the next five years. It currently operates 28 bottling plants through 23 subsidiaries employing 15.000 local workers. It is said to have a 33% share of the soft drink market. A survey found that 81% of Chinese consumers recognize the Coca-Cola brand name.

PRUDENTIAL INSURANCE intends to establish a joint venture fund management company in China. Prumerica Financial, the name under which Prudential will operate in China, signed a letter of intent with Shanghai-based Everbright Securities, one of the top ten securities companies in the country. Initially, both sides will focus on exchanging technical knowledge and training programmes.

CANADA

BOMBARDIER, the Canadian aerospace and transport group, is in talks with Chinese authorities and potential joint venture partners to become the first foreign company to manufacture 50-90-seater regional aircraft. Bombardier recently sold 25 regional passenger aircraft to Yunnan Airlines and 4 executive jets to Shandong Airlines. Bombardier recently established a training centre for pilots of regional jets in Shandong province.

BOMBARDIER and its Chinese partner, Changchun Car Co., won a US$ 139 million order to supply 114 subway cars to Shenzhen Metro Co. Deliveries will begin in 2004.

TAIWAN

THE TAIWAN GOVERNMENT lifted longtime restrictions on direct investments in China, removing a US$ 50 million limit on individual investments and giving automatic approval to investments of less than US$ 20 million. It will also allow special offices of Taiwan banks to transfer money directly to and from Chinese banks.

LITE-ON GROUP began operations of Guangzhou-based Silitek Electronics Co. Ltd which will specialize in the production of multi-functional electronic products, printers, scanners, computer keyboards. Lite-On Group will invest US$ 200 million by the end of 2002 to establish Lite-On Science and Technology Park in Guangzhou Science Town.

HONG KONG

HSBC, Hong Kong's largest bank, is on the point of moving an additional 1.000 back-office jobs to the mainland. The intention would be to set up a new data processing centre in Shanghai. HSBC already has a processing centre in Guangzhou.

(continued on page 14)

HSBC is in talks to take a stake in the Bank of Shanghai in the first of a series of link-ups between foreign commercial banks and Chinese institutions ahead of China's entry into WTO.

AUSTRALIA

TELSTRA, the Australian phone company, and China Unicom, the country's second-largest mobile phone operator, have agreed to cooperate on developing opportunities in the fixed and wireless communication markets. Although at this stage the agreement involves no equity investment by either company, it puts Telstra in a good position to make a future investment in Unicom.

AMP, Australian insurance and financial services group, is in talks to take a significant stake in China Pacific Insurance Company, which has a nationwide licence, whilst foreign insurance companies are restricted to geographical areas. AMP thus stands to reap returns from operations spanning all of China.

SOUTH AFRICA

SOUTH AFRICAN BREWERIES has established a joint venture with Sichuan Blue Sword Breweries. An earlier South African Breweries joint venture, CRE Beverages, created the joint venture with Blue Sword to combine 12 breweries in Sichuan province which has a population of 90 million. The total assets of the joint venture will be in excess of US$ 240 million, with CRE holding about 63%. SAB is now the second-largest brewer in China after Tsingtao Brewery.

JAPAN

TOSHIBA, after purchasing a 50% share from its joint venture partner in Shanghai Chongyou Elevator Company Ltd, renamed it into Shanghai Toshiba Elevator Company Ltd as its wholly funded subsidiary. The company sells 1.500 elevators annually. Toshiba will set up two centres in China for research and development of new types of elevators.

GREAT BRITAIN

ALSTOM, the energy and transport infrastructure specialist, contracted with Shanghai Electric Apparatus Co (SEAC) to establish a joint venture named Alstom Shanghai Power Automation Co. Located in Pudong Kangqiao Industrial Zone, it involves a total investment of US$ 10 million, in which Alstom has a share of 59%, and SEAC the rest.

UNILEVER is expected to be the first overseas-invested company to be listed on the Chinese A-share market. It is among 12 overseas-invested companies applying to the China Securities Regulatory Commission (CSRC) to float on the domestic stock market. Recent statements by CSRC and MOFTEC indicate the government is seriously considering overseas companies for domestic listing.

BRITISH PETROLEUM (BP) under an agreement reached with the Chinese Academy of Sciences, will set up a clean energy research centre in Dalian. The centre will devote itself to conducting strategic research on the development of clean energy and to resolving related key technological issues. The agreement, involving US$ 10 million, is the biggest of its kind reached by CAS and a foreign company.

GERMANY

DEUTSCHE MESSE, MESSE DUSSELDORF, MESSE MUNICH and Shanghai Pudong Land Development (Holding) Corp. inaugurated the first stage of their 50:50 joint venture, Shanghai New International Expo Centre. This first phase comprises four exhibition halls of 11.000 square metres each. Upon completion, the centre will provide 250.000 square metres of indoor and outdoor exhibition space.

SHANGHAI KRUPP STAINLESS CO, the largest Sino-foreign steel joint venture with Shanghai-based Baosteel, recently began production. Thyssen Krupp controls 60% of the venture with a total investment of US$ 1.4 billion. By 2006 the plant will produce 480.000 tons of hot-rolled stainless flat products and 268.000 tons of cold-rolled which at present are in short supply in China.

BAYER signed its largest ever investment of US$ 3.4 billion in China on the occasion of Chancellor Schroeder's visit to Beijing in November. The investment will be in place before 2008, with US$ 3.1 billion going to a chemical production base in Caojing near Shanghai. Up to now, Bayer has established 10 mid-sized joint venture and two wholly-owned foreign enterprises.

SIEMENS, also on the occasion of Mr. Schroeder's visit, signed deals with Chinese telecom companies to further consolidate its business. China Unicom, the country's second largest mobile telecom carrier, inked a US$ 50 million deal to build its national optical network. The new network will have a length of more than 15.000 kilometres. This is Siemens' fourth optical and broadband equipment contract in China.

ALLIANZ GROUP'S asset management unit and China's Guotai Junan Securities plan to set up a joint venture fund management company. Beijing has yet to unveil rules on fund management joint ventures, but foreign companies are making deals in anticipation of a market opening after China joins the WTO.

FRANCE

ALCATEL, the French telecommunications equipment company, has taken a majority stake in Shanghai Bell Co. which will be renamed Alcatel Shanghai Bell.

Alcatel paid US$ 312 million to buy an 8% stake from the Belgian government and 10% plus one share from Chinese shareholders, giving it 50% plus one share in the company. Alcatel expects to achieve sales of US$ 2 million in the first year after the acquisition.

PEUGEOT CITROEN and its Chinese partner Dongfeng Motor will invest US$ 120 million in a new-phase cooperation. Peugeot Citroën will contribute US$ 76.2 million and Dongfeng the remainder. The cooperation will include increased production of their car joint venture in Wuhan and the setting up of 2 marketing joint ventures in charge of selling Citroën and Peugeot vehicles.

CARREFOUR, which has until now concentrated its store development programme in the richer West of China, plans now to expand eastwards to Chengdu, capital of Sichuan province, Kunming, capital of Yunnan, Xian, capital of Shaanxi, as well as Chongqing, municipality attached to the central government.

HOLLAND

AKZO NOBEL, Dutch chemicals company, has opened a new site in Suzhou, Jiangsu province, to house three of Akzo's core businesses: car refinishes, powder coatings and transportation coatings. The company's sales have reached 300 million euros, and it now employs 1.500 people in China.

SWITZERLAND

NESTLE launched a new research and development centre in Shanghai focussing on food specifically geared to Chinese people. Nestlé has spent some US$ 724 million in direct investment in China and has 18 factories employing 7.000 people.

NESTLE and Haoji Group, the second largest producer of chicken bouillon in China,will form a joint venture called Sichuan Haoji Food Co. Nestlé will have a 60% stake and will provide special technology.

Summary by Paul Wyss

Chinese Firms Look Abroad for Acquisitions

As foreign companies rush to get into China, the reverse is also taking place. Chinese firms are looking to acquire strategic interests abroad, the Wall Street Journal reports.

The interest comes at a moment when the Chinese market itself appears saturated in a wide variety of manufactured goods and China's companies – particularly its consumer electronics makers – need to tap new sources of demand.

In addition to the manufacturers, China's giant oil companies are also holding discussions regarding potential acquisitions, their coffers flush with hard currency from their public listings, bankers say (although these are more likely to be in marginal markets such as Sudan).

And what's more; it's a buyers market out there. While Chinese companies have so far escaped the global recession, others have not been so lucky. Prices are down all over the world.

In the past, Chinese companies have ventured abroad before. Many subsidiaries of the government with free cash, such as China Venturetech, put their funds in real estate abroad, including office buildings in Los Angeles and expensive apartments in New York.

However, this time, the interest is more strategic and well thought-out, bankers observe. Instead of focusing just on acquiring assets or stashing cash abroad in one-time deals, today's idea is to sharpen China's manufacturing expertise and technological know-how.

Source: ChinaBiz

China's Exports to Switzerland

Following are the latest facts and figures about China's major export commodities to Switzerland (in million U.S. dollars) in the first eleven months of 2001, provided by the General Administration of Customs:

Textile materials and products

US$ 231.053 (million)

Machines, electronic goods, audio-visual equipment	75.681
Optical, medical instruments and meters	60.020
Chemicals and related products	56.364
Vehicles, aircraft and transportation facilities	33.651
Live animals	26.519

Source: Xinhua, January 2002

Keep in mind that these figures do not necessarily correspond with the figures published by the Swiss Government.

Stability Above All

To ward off unrest and social instability the Chinese government tends to slow the pace of the reform process when needed. Now two policies will be shifted – one halting the sale of shares in state owned enterprises on the domestic stock market and the other ordering a virtual freeze on the bankruptcy of larger state enterprises. This indicates that China is backing away from some of the most crucial aspects of its reform agenda.

This change in policies is important because it affects the most fundamental economic reform – the task of transforming around 300,000 mostly inefficient, overstaffed state owned enterprises (SOEs) into modern companies which can compete in international markets. SOEs use about two-thirds of the country's credit resources and employ 55% of urban workers. In anticipation of a tough economic year, the supreme court has ordered provincial courts not to take on any bankruptcy cases of companies with assets worth more than RMB 50m (US$6m) which covers most large and medium sized SOEs.

Moreover a researcher at the Chinese Institute for Restructuring the Economic System unveiled plans to redouble efforts to merge strong state owned companies with their weaker counterparts to create conglomerates like South Korea's Chaebol and Japan's Zaibatsu. There are worries that one day China will be saddled with the type of inefficiencies that symbolize some of the largest Japanese and Korean companies. The developments reflect that although Beijing is sincere in abiding by its WTO promises, domestic issues weigh heavily on their decision making.

Source: Fiducia Management Ltd.

China and the Euro's Launch

Prime Minister Zhu Rongji has expressed his intention to convert a substantial part of the currency reserves into Euros, BNP Paribas reported.

China hopes to increase trade with Europe. When German Chancellor Schroeder and his Finance Minister Muller were in China early 2002, they walked away with a large amount of business contracts. But the rise in trade would have to be astronomically to surpass that with HK and the US.

If China would increase its Euro reserves by 15% – thereby reducing the US$ amount by an equal share – additional Euro demand of around US$ 30bn would come to the market. However, China will take its time switching US$ reserves into Euros and given the size of 'regular' portfolio flows and overall liquidity in the market the upcoming Euro demand from China is unlikely to have a significant impact on currency valuations.

At the moment, the Chinese Renminbi is pegged to the dollar at an exchange rate of 8.2. By changing a substantial amount of the country's monetary reserves, China is hedging its economy against any US recession.

The International Monetary Fund estimates the Chinese currency reserves at US$ 201.7 billion, worth Euro 227 billion. Economist expect a Euro-favorable market reaction if China decides to change a larger portion of these reserves into the new currency.

The composition of China's foreign reserves – the world's largest after Japan's – are a state secret. However, analysts believe that before the Euro's launch, they consisted roughly of 60 % US dollars, 15 % yen and 15 % D-Marks, according to the Financial Times.

Banks in China where crowded since the launch of the

Euro on January 1, 2002, as citizens tried to get a glimpse of the new currency. On the black market, Euros were changing hands at a 6 % higher exchange rate.

Source: ChinaBiz

Preferential Tax Treatment to Stay?

China set to scrap tax breaks

China appears set to scrap the preferential tax treatment that foreign companies have enjoyed in "special economic zones" (SEZ), the largely capitalist enclaves that Beijing has used since 1979 to spearhead free-market reforms and attract tens of billions of US dollars in foreign investment.

China's WTO membership requests "national treatment", or creation of a level playing field for domestic and foreign companies. This is expected to work to the disadvantage of foreign companies, which currently enjoy a corporate income tax of 15% in SEZs and state-level development zones against a standard rate of 33% for Chinese enterprises. A unified tax rate may put an end to a widespread abuse called "round-tripping" in which Chinese groups set up shelf companies in Hong Kong, which they then use as mainland investment vehicles in order to qualify for "foreign" rates of tax. This practice has inflated China's foreign direct investment figures for years.

The five SEZs – Shenzhen, Zhuhai, Xiamen, Shantou and the island of Hainan – and the 49 state level development zones may find it more difficult to attract foreign investment after their power to award tax perks is taken away. The development zones attracted US$ 8.9bn in foreign direct investment in 2000 – up 35.3 % on the year before – and produced US$ 81.2bn in industrial output.

New tax process might take years

Foreign funded companies already operating in China will keep some of the preferential tax treatment they get. Jin Renqing, director of the State Administration of Taxation, declared that even under World Trade Organization (WTO) rules, it is allowed to maintain some of the tax incentives that foreign funded companies have enjoyed for years. He did not further outline which incentives would be there to stay.

However, newly established foreign funded companies will be prone to the general trend of equalizing tax treatment for domestic and foreign-funded firms which should lead to a fairer competition.

According to Jin, a timetable for implementing a unified corporate income tax policy does not yet exist. The actual process might take a few years.

In 2001, China's total tax revenue grew 19.8 % compared to the previous year, reaching 1,517.2 billion Renminbi (US$182.8 billion). Foreign funded companies covered 51.1 billion Renminbi (US$6.2 billion) on income tax, a growth of 57 % compared to 2000.

Source: Financial Times and ChinaBiz

Timetable for Yuan-Currency Business

China has published details of banking reforms, offering a breakdown of cities in which foreign banks can conduct domestic currency business over the five years after WTO entry:

– Immediately after WTO entry: Dalian and Tianjin, adding to Shanghai and Shenzhen.

– After 1 year: Guangzhou, Qingdao, Nanjing and Wuhan.

– After 2 years: Jinan, Fuzhou, Chengdu and Chongqing.

– After 3 years: Kunming, Zhuhai, Beijing and Xiamen.

– After 4 years: Shantou, Ningbo, Shenyang and Xian.

– After 5 years: All geographic restrictions lifted.

Source: SCMP

Bank of Shanghai Signs First WTO Equity Deal

The Bank of Shanghai was the first Chinese commercial bank to get foreign banks as shareholders, with the HSBC as largest participant. The contract, signed end of December 2001, involved also the Hong Kong based Shanghai Commercial Bank, while the International Finance Corporation increase its stake in the bank.

The 6-year old Bank of Shanghai, with the Shanghai Municipality as the major shareholder, was the first to get permission from the People's Bank of China (PBOC) for equity investment from foreign commercial banks. The HSBC took an 8 percent stake, costing 517.92 million Renminbi (US$62.2 million) in cash. The Hong Kong-based Shanghai Commercial Bank took 3 percent, while the commercial investment arm of the World Bank, the International Finance Corporation (IFC) increased its share from 5 to 7 percent.

The Bank of Shanghai developed from a cooperative of credit unions to a small, but rather modern commercial bank, its president Fu Jianhua told a press conference. The rather small bank focuses on small and medium enterprises and is now mainly confined to the Shanghai region. Fu announced the bank would use the new capital to further improve the banks performance and expand across the country. The SME's, in real life often the same as China's booming private enterprises, are widely seen as the best bet for the growth of the domestic banking industry in the future, as state-owned enterprises not only have already established relations with banks, but also are diminishing in importance.

Source: ChinaBiz

Stricter Rules for Firms Seeking Listing

Foreign funded companies aiming for listing on the mainland's stock markets will have to reveal more information than domestic companies in the same position, according to a new plan of the China Securities Regulatory Commission (CSRC).

Additional to the regular information required for domestic companies, the foreign-invested companies will have to disclose the risks of their overseas raw material procurement process, data on technology transfer, information on transactions with their parent company over the last three years, and possible changes in preferential tax policies, Dow Jones Newswires reports.

Furthermore, firms that invest part of their profits in overseas projects need to publish details on the projects, and the future management role of the company.

The draft regulations are meant to invoke opinions from the public. Despite the stricter regulation, China aims at drawing the interest of foreign invested companies to its stock market, in an effort to boost the struggling indexes. A dozen foreign companies including HSBC, Hong Kong's Bank of East Asia, Procter & Gamble, Royal Philips Electronics have shown interest in the past, but – unlike some rumors in the Chinese media - none of them has yet applied for a listing.

Nobody expects domestic listings of foreign companies very fast. Also the new plan, when carried out, will mean much extra homework for the candidates and possible new delays.

Source: ChinaBiz

Top Chinese Executives Recognised Internationally

In October 2001, Mary Ma was ranked by Fortune magazine as the 3rd out of the 50 most powerful women outside the USA. She is one of the brains behind Legends transformation from a small state-owned enterprise into Chinas most recognised private corporation.

Ms Ma, educated in Beijing, joined Legend in 1990, six years after it was founded. Now, based in Hong Kong, she has overseen the successful listing of Digital China (the foreign-brand distribution arm of Legend), been a prime mover in the planning of the strategic alliance with AOL, and part of the team pushing Legend into the export market.

Fortune's recognition is of significance as it shows how individual Chinese executives working for Chinese companies are making an impact internationally. In addition to their own successful business performance, they draw attention to the strong development of professional talent in China.

Source: Fiducia Management Ltd.

PetroChina and Royal Dutch/Shell Sign Gas Project

Royal Dutch/Shell will strengthen its presence on the Chinese market now that it signed a preliminary deal with PetroChina for a US$ 18 billion gas project. PetroChina, the mainland's biggest oil firm, and a foreign consortium including Royal Dutch/Shell, Russian gas giant Gazprom and Hong Kong & China Gas Co Ltd. will team up for the biggest investment in China's energy sector to date. Royal Dutch/Shell and Gazprom will take a 45 percent stake, while PetroChina covers the other 55 percent, Reuters writes.

The deal seems a major backlash for Exxon Mobile, which was also aiming for a stake in the project that includes the construction of a 4,000 kilometers gas pipeline from east to west China. However, the American rival is not totally out of the picture yet, as discussion about its involvement is continuing, Bloomberg reports.

The major project involves exploration and development of gas fields in the Xinjiang Uighur autonomous region, as well as construction of the pipeline from Xinjiang to Shanghai. The pipeline is supposed to be fully operational by 2004.

Source: ChinaBiz

Foreign Law Firms Allowed to Offer Services

Foreign law firms were given the green light to court clients in China on limited issues following the Nation's entry to the WTO. A new State Council regulation permits lawyers to offer consulting services on legislation of the country or region where the lawyers are licensed, and on international conventions and practices.

Source: China Daily

Retail Industry Opens to Foreigners

China will open its retail industry doors to foreigners following the membership of the World Trade Organization (WTO) according to China Daily. "Given their (Carrefour and Wal-Mart) rich operation experiences, global purchasing and sales networks, high-technology logistics systems and high-quality services, the world giants' entry into the Chinese market will inevitably deal a blow to the relatively fragile domestic retailers," Guo Geping chairman of the China Chainstore & Franchise Association said. He also stated that domestic retailers should think about regional expansion.

China has 7,685 chain stores with a total volume sale of the top 100 reaching 98.2 billion Renminbi (US$11.8 billion) last year, according to figures released by Guo. China's leading domestic retailer for the past three years is Shanghai Hualian Group. It has 1,200 chain stores and has a sales volume of US$1.3 billion compared to Wal-Mart's US$191.3 billion worldwide. The Hualian Group has its mind set on Beijing.

US-based Wal-Mart and France-based Carrefour, the world's leading retailers, stepped up their work on expanding in the Chinese market. Wall Mart opened its first store in Beijing on November 7 and is expected to open seven more stores in China, according to Tom McLaughlin, Wal-Mart's vice-president of merchandising and marketing. He stated Wal-Mart will move its global purchasing centre to Shenzhen.

The half year restriction on Carrefour's expansion after flouting Chinese central government has been put to an end after a mutual agreement between Carrefour and the State Economic and Trade Commission (SETC). Carrefour plans to open ten more stores and setup ten purchasing centers in China.

Source: ChinaBiz

Sourcing up the Value Chain in China

Foreign invested enterprises (FIEs) are looking for increasingly competent Chinese companies when it comes to sourcing sophisticated products in China. One of the industries which best reflects this growing trend is the automotive sector. "The mainland is likely to emerge as one of the world's key suppliers of auto parts and accessories", Gan Zhihe, an official at the Chinese State and Economic & Trade Commission, said recently.

This has been confirmed in a South Korean study cited by the Shenzhen Shangbao (Shenzhen Business News), which ranked mainland China eighth in world auto production in 2000, with a total volume of 2 million units. In addition, most all world-famous makers of parts and accessories have established factories or marketing subsidiaries on the mainland. A good example is Jiangyin Mould Plastics Group, established in 1984 and now owning 17 enterprises. Jiangyin is at the foremost position in the moulded plastics sector, manufacturing bumpers for the Shanghai VW Santana 2000 and the Shanghai GM Buick. This has incurred a RMB 200 million investment, to constantly up-grade its state-of-the-art production lines, which is necessary to meet the demands of its SVW and SGM customers.

Baosteel Group Corp, mainland China's largest steel producer, currently supplies more than 90% of steel to auto manufacturers in China. Among the major customers are Shanghai VW and Honda's plant in Guangzhou. Baosteel is also actively working towards becoming a major exporter of quality auto steel sheets, and recently exported 750 tons to Italian car maker Fiat. A representative from Baosteel said: "If this cargo is satisfactory, Fiat is bound to purchase 200,000 tons of auto steel sheets from us annually over the next few years." The positive developments are a result of the role now being played by Chinese parts suppliers. Siemens and Bosch are examples of FIEs from other sectors for which local sourcing is a hot topic, which more and more FIEs are sure to be discussing.

Source: Fiducia Management Ltd.

Developments in Travel and Tourism

Beijing to Ease Travel Restrictions

China is to implement six measures to encourage mainlanders to travel and allow foreigners greater freedom to live in the country. The measures include less red tape for passport applications, greater power for border visa offices and the establishment of a "green card" system for foreigners who want to live in China.

Tourism Doors Opened to Foreign Players

Beijing will allow foreign-invested travel agencies to conduct inbound and domestic tours from early 2002. The State Council has revised tourism industry regulations to fulfil its pledge to the WTO. However, outbound tours, including those to Hong Kong, Macau and Taiwan, for mainland Chinese will still be off-limits to foreign-invested travel agencies. They also will be banned from opening branches in the country.

Source: SCMP

Taiwan Opens Door for Mainland Tourists

Taiwan tries to give its tourism industry a boost by allowing 1,000 Chinese tourists per day in from January 1, 2002. The Taiwanese tourism industry has welcomed the move as long overdue.

Every year between 2.5 and 3 million Taiwanese visit the mainland for business and tourism, while last year slightly more than 12,000 mainland Chinese visited Taiwan. Taiwanese authorities still fear that many Chinese will not return when they are in Taiwan, one reason to limit the daily number of mainland tourists to 1,000. Hong Kong allowed initially 1,500 mainland tourists in, but increased that quota when it did not cause many problems.

The relaxation is part of a whole set of one-sided relaxations of long-existing bans by Taiwanese authorities in an effort to try to revive its sagging economy. Efforts to stop Taiwanese companies to move to the mainland did not have effect. Now Taiwan tries to make more profit of the mainland's resources by getting more engineers, scholars and tourists in. Also bans on the import of China products into Taiwan are going to be relaxed to facilitate Taiwanese companies with units at both sides of the Strait.

While a smaller group of tourists might want to Taiwan for sentimental reasons, for the large volume of tourists pricing will be important. Because there are still no direct air links between the mainland and China, travel is relative expensive and tourists might for that reason prefer cheaper Asian destinations over Taiwan.

Talks on a resumption of direct flights are currently in a stale-mate, while a basic solution is in place. A new joint venture between Taiwanese China Airlines, a mainland airline company and possibly Singapore Airlines would be able to undertake those flights, say academics in Taiwan. But parties are unable to get agreement on the reshuffling of the lucrative flights to the United States by the airline companies involved.

After the terrorists attacks on 9-11 Asian flight traffic growth prospects might become more important than the transpacific flights. The new stream of tourists might add to that. That might perhaps also make the introduction of direct flights more feasible.

Taiwan's authorities tried to gain political advantage out of their most recent discussion by asking also concessions from Beijing.

Source: ChinaBiz/Financial Times

China to Invest Heavily in IT

China is to spend almost one trillion RMB (US$120 billion) over the next five years to stimulate its IT industry, People's Daily, the official communist newspaper, reported.

Specified to industry, 500 billion RMB will go to telecommunications, 50 billion RMB for post service, and 400 billion for electronic information technology, said the newspaper. According to People's Daily, "The Chinese government will make great efforts to push forward and give priority to the application of information technology as a way of boosting economic and social development."

Beijing has indicated it will provide more channels for the investment and encourage both foreign and domestic direct investment. Already, the manufacture of information products is now worth one trillion RMB in China, accounting for 19 % of the gross domestic product (GDP), according to the China Information Port Forum.

By the end of last year, China had laid 1.25 million kilometers of optical fiber cable. China had 300 million telephone users, including 175 million fixed telephone users. The country's telephone network is now the second-largest in the world. Guangdong is the biggest manufacturer of electronic information products in China, with a production value of 300 billion RMB in 2000 according to official figures.

Source: ChinaBiz

First Semiconductor Analysis Center in Hong Kong

Hong Kong University of Science and Technology set up a new semiconductor product analysis center, the first of its kind in Hong Kong, in a bid to sharpen the competitive edge of the local semiconductor industry.

The center is equipped with over 15 million HK dollars (about 2 million U.S. dollars) worth of cutting-edge failure analysis and testing equipment, Otto Lin, the university's Vice President for research and development, said when attending the opening ceremony of the center on December 12.

The establishment of the center will enable small and medium semiconductor companies to analyze their products locally and shorten production time significantly, while lowering manufacturing costs, resulting in the development of high value-added semiconductor products, Lin said.

Source: ChinaBiz

Beijing Boosts Hong Kong Firms?

China's Foreign Trade and Economic Cooperation Minister Mr. Shi Guangsheng recently offered Hong Kong firms incentives to invest in the capital. In expectation of easy capital and a comprehensive transfer of knowledge red tape will be cut and regulations relaxed, the Minister said. Financial deals offered by the Municipal Government are meant to encourage Hong Kong firms to bid for some of the US$13.7 billion worth of 2008 Olympic Games projects which Beijing has ready for tender. Beijing Mayor Liu Qi told Hong Kong businessmen they would be given the same treatment as domestic counterparts if they entered into joint ventures in the city.

Moreover the plan would involve better lending rates from Beijing's banks and more favourable treatment than that extended to foreign investors, SAR authorities say. However, Chinese officials have stated that the recently unveiled incentives did not represent a fundamental change in the country's foreign investment policy and denied claims that SAR companies would be placed on a equal footing with local businesses at the expense of their foreign rivals. These measure may be meant to support Hong Kong's weakening economy. Let's wait and see.

Source: Fiducia Management Ltd.

Hong Kong Faces Dire Straights

Hong Kong's nominal gross domestic product will drop 7 percent in 2002 and unemployment will reach a record 7.5 percent, according to CLSA Emerging Markets. The brokerage shows a bleak view on the SAR's near-term economic future. Their report, "Hong Kong's Future – Tough Choices to Stay Afloat", says the SAR is facing structural deflation from its assimilation into mainland China. "The formula for what used to work in HK has changed; previously interest rates drove the market, property prices rose steadily, the market moved higher from one economic trough to the next, Hong Kong was the main financial center for China – this no longer applies", according to the report.

A different survey, commissioned by CPA Australia – an association of accountants – under 442 Hong Kong executives, found that one in every three executives said that their companies will have to make 'significant' layoffs in the next 12 months. The SAR's unemployment peaked at 6.4 percent during the Asian crisis in late 1998 and was 5.3 percent between July and September during 2001. September is basically the first quarter where we are going into the recession and we are pretty close to the unemployment peak of the Asian crisis now, the CLSA report states.

The CPA Australia survey found that a clear majority of Hong Kong executives view China's entry into the World Trade Organization (WTO) as a threat rather than an opportunity, with nearly 70 percent expecting stiffer competition from mainland firms to erode their companies' profitability, Business Times Asia reports. These executives also think more companies will relocate from Hong Kong to China in the coming 12 months.

The survey covered both reactions to China's WTO entry, as well as manpower issues and sentiment towards the property market. The results appear to show Hong Kong is not ready for the changes that will occur as China enters the WTO. Only 43 percent of the executives surveyed thought that their companies were prepared for the event, and 47 percent felt that individuals did not understand the implications for Hong Kong's businesses.

Source: ChinaBiz

Economic Situation of Yangtse Delta Region

Yangtse Delta Region Continues to Play the Role of Locomotive

While the world economy is slowing down, China's economy is still robust. In the first half of this year, it grew nearly as fast as in the last years, and the Yangtse delta region (the Yangtse delta region refers to Shanghai, Jiangsu and Zhejiang) played a locomotive role in the development of the country's economy.

The GDP of China rose 7.9% to 4.2942 trillion Yuan (517.4 billion USD) during the first six months of this year. In the same period, the growth rate of the Yangtse delta region was more than 10%, two percentage points higher than China's average. According to local statistic authorities, the GDP of Shanghai reached 230.3 billion Yuan in the first six months of this year, an increase of 10.2%; in Jiangsu, the GDP was 418.8 billion Yuan, an increase of 10.4% and in Zhejiang 313.6 billion Yuan, an increase of 10.5% (See table below).

The aggregated GDP of the delta region climbed to 962.69 billion Yuan, accounting for 22.4% of China's total, a remarkable result compared to its rather low percentages of population (10.9%) and area (2.2%).

Investment in Public Works: One of the Main Contributors to Growth

The national economy was driven first by heavily increased investment in public works, especially in infrastructure. Statistics show that the growth rate of completed investments in fixed assets in the delta region was a little higher than the country's average (15.1%) in the past months, but the growth rate of total retail sales of consumer goods was lower than China's average (10.3%). Furthermore as the "Heaven of China", the delta region did not meet any major natural disasters as some other provinces.

A large scale of highway construction has been undertaken in the delta region. In Shanghai, the highway under construction, or at its beginning, amounts to 160 km. The project of the magnetically-driven railway linking Metro-Line 2 and Pudong Airport started in March 2001 and will be completed within two years. In Zhejiang, the government installed 8.4 billion Yuan in its budget for this year to prolong its highway for another 143 km. The highway from Shanghai through Hangzhou to Ningbo is being broadened to 6 or 8 lanes, and in Jiangsu, the highway along the Yangtse river (137 km) with an investment of 5.6 billion Yuan is under construction. It will be completed before the end of 2004. These are only some examples.

Export and Foreign Investment: the Other Two Contributors to Growth

The economic growth of the region was further supported by rapid increase of exports and foreign investments. During the first half of 2001, Shanghai exported goods with a value of 13.74 billion USD, an increase of 16.9% compared to the same period of last year; Jiangsu exported 13.79 billion USD, an increase of 18.4% and Zhejiang's export was 10.67 billion USD, an increase of 21.8% over the same period last year. The provincial export growth was thus much higher than China's average growth rate (8.8%). The region's total export value increased by 18.7 % compared to the same period of last year, and reached 38.203 billion USD, accounting for 30.7% of China's total (124,57 billion USD). Nonetheless it is important to see that the growth rate of exports has reached only a third of the exceptional growth rates for the same period last year. A "normalisation" of export growth has thus taken place.

The delta region therefore holds a leading position in China's foreign trade. In fact, after Guangdong province, Jiangsu and Shanghai ranked second and third in exports (including processing industries) among the provinces of China. Zhejiang is one of the most aggressive trading provinces in China: its export volume was considerably bigger than its imports. In terms of ordinary trade (excluding processing industries), Zhejiang is the biggest exporter in China. Its trade surplus exceeded 11 billion USD last year, accounting for 45.8% of China's total. A strong contribution to the success of Zhejiang was made by private and collective enterprises, getting more export rights in the last few years. During the first six months, private and collective enterprises exported goods for 2.42 billion USD, an increase of 82.8%. The contribution rate of private and collective enterprises to the export increment of the province amounted to 57.3 %.

A similar situation was also shown in the delta's foreign investment. The region saw an accelerating influx of foreign direct investment during the first half of this year, totaling 14,453 million USD in terms of contract value, and accounting for 43% of China's total (33,410 million USD). Contracted foreign investment in Shanghai increased to 4,003 million USD (82.2%), in Jiangsu to 8,211 million USD (75.93%, on the first place) and in Zhejiang to 2,239 million USD (100.4%). In China as a whole, it was "only" 38.23% compared to the same period of last year. As usual, the actually used credits fall short of the contracted ones (cf. table). The growth rate of used credits only comes to about a fourth of the growth rate of contractual credits.

Economic Integration: a Tendency in the Delta Region

Local protectionism still exists in China. In many areas it became even stronger in the last few years. In the delta area, however, a tendency of integration is growing, due to economic development, increased common interests and the strong power of the central government in Beijing. Modern highway networks and telecommunication possibilities grow rapidly in the area and support the general trend.

(continued on page 24)

Nowadays, the local authorities in the delta region are making efforts not only to attract foreign capital, but also investment from other provinces. Recently, mutual investments grew considerably stronger. Shanghai, in particular due to its special position as economic, financial, transport, logistics and information center, is the biggest importer of net capital. During the first half of this year, the investment by enterprises (other than by natural persons) from other provinces in Shanghai totaled 6.66 billion Yuan (in 397 projects), a rise of 90.8% compared to the same period of last year. Among the main investors were enterprises from Beijing, Zhejiang, Jiangsu and Liaoning. Some enterprises start to move their headquarters to Shanghai.

Investment from other provinces is also increasing in Jiangsu, due to its good location, especially in the southern part of Jiangsu, where the famous "new markets" like Suzhou and Wuxi are located.

The fact that Zhejiang as the biggest net capital exporter has been taken notice by the Chinese media. The people of Zhejiang became rich through their business activities all over the country and the world. They have accumulated enormous wealth, concentrated mostly in private hands. A considerable amount of the capital is reinvested in their home places – it accounted for ca. 70% of the total investment in the province, but an important part of private funds were still idle, estimated at about 350 billion Yuan, ten percent being in the hands of Wenzhou people alone.

The Challenges: Still Serious

Generally speaking, the economic situation in the delta region will remain dynamic and stable in the near future. The year's GDP growth target of 7%, set by the central government for the whole of China and a double-digit increase by the delta region provinces will be realized.

To accelerate the economic growth, Chinese governments, central and local, continued to pursue an pro-active fiscal policy. They took measures to stimulate investment, consumption and exports. China will issue 150 billion Yuan in government bonds this year. Huge investments in infrastructure construction will be continued. Beijing winning the bid to host the 2008 Olympic Games will also add fuel to the country's economy in the coming years.

But the challenges are still there. The Chinese government is facing not only the slowdown in the world economy, especially in the markets of the United States, strongly reducing demand from abroad and slowing export growth already this year. Slower growth of private consumption is to be expected too. The deteriorating employment situation and lagging rural income, badly influenced by the droughts of summer 2001, will also start to effect the growth rate of 2002.

Re-employment of the laid-off workers remains a problem all over China. At the end of June, according to Chinese official statistics, there were 6.19 million registered unemployed persons, an unemployment rate of 3.3%. The situation in Zhejiang and Jiangsu is relatively good, while unemployment in Shanghai remains a big problem. Recently, the urban unemployment rate reached 3.8% (with 218.000 laid-off workers), compared with 3.5% at the end of last year. About four million immigrant workers from other provinces (mainly from Anhui, Henan, Sichuan and northern part of Jiangsu) marked the employment situation in Shanghai. Their presence has a clear dampening effect on the employment situation as their employment or unemployment does not show in any official statistics. Unemployment will remain one of the biggest problems in China and in the delta region during the whole period of transition from the plan economy to a market economy.

by Li Rongzhang,

Consulate General of Switzerland, Shanghai

In Brief

– Despite the attack on the World Trade Centre on September 11, a Japanese consortium headed by Mori Building Company is still on course to build the world's tallest skyscraper, the Shanghai World Financial Centre. At 466 metres the 94-storey tower is forecast to cost US$ 625 million.

– To stimulate domestic consumption the central government is increasing the salaries of some 40 million government employees by 15%. This follows a 15% pay increase in January and a 30% raise in 1999. Before the raise the monthly income for civil servants averaged 500 Yuan (US$ 60).

– Germany, Egypt and Malta have recently been approved as tourist destinations for Chinese citizens travelling abroad. So far Chinese citizens were allowed to travel as tourists to 17 countries in Asia. Along with the increasing number of available destinations, more than 10 million Chinese travelled abroad last year. Of that figure, 5.6 million were traveling for personal reasons. The China National Tourism Administration is considering applications from several European countries to be selected as official tourist destinations.

– A Beijing court ordered two Chinese companies to cancel their registered internet domain names containing names or acronyms of 11 famous foreign companies. They included kfc.com.cn, which makes fast food lovers think of Kentucky Fried Chicken, ups.com.cn, which could be mistaken for United Parcel Service or pepsi.com.cn, cocacola.com.cn.

– China's entry into the World Trade Organization is expected to spark greater demand for public relations (PR) from both local and international firms. In 2000 the business volume of China's PR reached US$ 180 million. Of the top 20 PR companies in the world, half have entered the Chinese market.

– Construction of a railway-ferry across the Bohai Sea has begun and will slash billions of Yuan of transportation costs and cut travel distances by up to 400 km. The link will span Jiaodong Peninsula in Shandong province and Liaodong Peninsula in Liaoning province when it is finished in about 3 years. The total investment will be about US$ 294 million.

– Shanghai's first private voluntary rehabilitation centre for drug addicts opened recently. The centre occupies a 1.73-hectare site and can hospitalize 50 people. Both traditional Chinese medicine and Western medicine are used to treat patients and acupuncture is offered for further recovery.

– The State Forestry Administration kicked off the fourth phase of a huge ecological project – China's Green Great Wall – a 4.480 kilometre belt of forests spanning the country's drought and desert-prone northern areas. By the end of 2000, three phases of the barrier forests had been completed with an investment of US$ 433 million, resulting in 27.8 million hectares of forests. Under the fourth phase, 9.5 million hectares of forests are expected to be added.

– More than 90% of Beijing industries will be subject to a water consumption quota from the beginning of 2002 in an effort to deal with the water shortage hitting the capital. The quota will be imposed on factories, hotels, shops, government offices and other units. Those whose water usage exceeds the quota may be charged with fees as high as two to five times the regular rate.

– China, which was the world's fourth largest gold producer in 2000, will open a gold exchange, ending a five decades rigid state monopoly. Foreign producers hope that deregulation will unleash pent-up demand for the metal in China.

– Shanghai will invest US$ 2.17 billion in an ambitious plan to build century-old Nanjing Lu into a first-class commercial destination similar to the Champs Elysées, Fifth Avenue , Oxford Street. The project is scheduled to be completed by 2010 based on a plan worked out by McKinsey Consulting.

– To cope with the deluge of cross-border movement following China's entry into WTO, the Public Security Ministry is working out a reform of entry and exit regulations. It includes a green card system and other preferential policies for senior foreign managers, technicians and investors. For mainland Chinese exit procedures will be simplified further.

– A consortium led by Morgan Stanley has bought the first batch of distressed assets in Chinese state-owned enterprises ever auctioned to foreign investors, paying about 9% of the book value of the $ 1.31 billion assets sold. There is a total of US$ 169.1 billion in non-performing loans for sale by four Chinese asset management companies. Huarong Asset Management expressed satisfaction over the deal despite the steep discount.

– China has instituted a variety of preferential policies for overseas students who return to start new careers, and the policies have achieved good results. Many provincial governments have established special zones with international-level facilities and favourable investment environment to attract returned students. In the past two decades, China has sent 300.000 students abroad, one-third of whom have returned so far.

– Chinese will outrank English as the most used language on the worldwide web by 2007, according to forecast at a United Nations symposium. At present a slim majority of the world's 460 million-plus internet users are from English speaking backgrounds. This reflects the system's origin in the US, but is changing rapidly as internet use spreads internationally.

– Microsoft has claimed a breakthrough in its battle against software piracy by striking an agreement with most of China's top PC makers to bundle its new operating system into their computers. The four companies, which together account for more than half of China's home computer market, will preinstall the operating system, Windows XP, before their PCs reach retailers.

Summary by Paul Wyss

China's Commitments Entering WTO

"International economic cooperation has brought about this defining moment in the history of the multilateral trading system," said Mike Moore, WTO Director-General, at the conclusion of the meeting of the Working Party on China's Accession. "With China's membership, the WTO will take a major step towards becoming a truly world organization. The near-universal acceptance of its rules-based system will serve a pivotal role in underpinning global economic cooperation."

Under the chairmanship of Ambassador Pierre-Louis Girard of Switzerland, the Working Party concluded almost 15 years of negotiations with China and agreed to forward some 900 pages of legal text for formal acceptance by the 142 Member Governments of the WTO. China formally entered the global body on December 11, 2001. January 1, 2002 was the 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.

As a result of the negotiations, China has agreed to undertake a series of important commitments to open and liberalize its regime in order to better integrate in the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules.

Among some of the commitments undertaken by China are the following:

China will provide non-discriminatory treatment to all WTO Members. All foreign individuals and enterprises, including those not invested or registered in China, will be accorded treatment no less favourable than that accorded to enterprises in China with respect to the right to trade.

China will eliminate dual pricing practices as well as differences in treatment accorded to goods produced for sale in China in comparison to those produced for export.

Price controls will not be used for purposes of affording protection to domestic industries or services providers.

The WTO Agreement will be implemented by China in an effective and uniform manner by revising its existing domestic laws and enacting new legislation fully in compliance with the WTO Agreement.

Within three years of accession all enterprises will have the right to import and export all goods and trade them throughout the customs territory with limited exceptions.

China will not maintain or introduce any export subsidies on agricultural products.

While China will reserve the right of exclusive state trading for products such as cereals, tobacco, fuels and minerals and maintain some restrictions on transportation and distribution of goods inside the country, many of the restrictions that foreign companies have at present in China will be eliminated or considerably eased after a 3-

year phase-out period. In other areas, like the protection of intellectual property rights, China will implement the TRIPS (Trade-related Aspects of Intellectual Property Rights) Agreement in full from the date of accession.

During a 12-year period starting from the date of accession there will be a special Transitional Safeguard Mechanism in cases where imports of products of Chinese origin cause or threaten to cause market disruption to the domestic producers of other WTO members.

On the other hand, prohibitions, quantitative restrictions or other measures maintained against imports from China in a manner inconsistent with the WTO Agreement would be phased out or otherwise dealt with in accordance with mutually agreed terms and timetables specified in an annex to the Protocol of Accession.

1. Goods

The conclusion of the negotiations for market access on goods represents a commitment undertaken by China to gradually eliminate trade barriers and expand market access to goods from foreign countries. China has bound all tariffs for imported goods. After implementing all the commitments made, China's average bound tariff level will decrease to 15% for agricultural products. The range is from 0 to 65%, with the higher rates applied to cereals. For industrial goods the average bound tariff level will go down to 8.9% with a range from 0 to 47%, with the highest rates applied to photographic film and automobiles and related products. Some tariffs will be eliminated and others reduced mostly by 2004 but in no case later than 2010.

Textiles

China will become a party to the Agreement on Textiles and Clothing and will be subject to its rights and obligations. As for all WTO Members, quotas on textiles will end at 31 December 2004, but there will be a safeguard mechanism in place until the end of 2008 permitting WTO Member Governments to take action to curb imports in case of market disruptions caused by Chinese exports of textile products.

Agriculture

China agreed to limit its subsidies for agricultural production to 8.5% of the value of farm output (per Article 6.4 of the Agriculture Agreement). China also agreed to apply the same limit to subsidies covered by Article 6.2 of the Agriculture Agreement.

2. Services

Telecoms

Foreign service suppliers will be permitted to establish joint venture enterprises, without quantitative restrictions, and provide services in several cities. Foreign investment in the joint venture shall be no more than 25%. Within one year of accession, the areas will be expanded to include services in other cities and foreign investment shall be no more than 35%. Within three years of accession, foreign investment shall be no more than 49%. Within five years of accession, there will be no geographic restrictions.

Banking

Foreign financial institutions will be permitted to provide services in China without client restrictions for foreign currency business. For local currency business, within two years of accession, foreign financial institutions will be permitted to provide services to Chinese enterprises. Within five years of accession, foreign financial institutions will be permitted to provide services to all Chinese clients.

Insurance

Foreign non-life insurers will be permitted to establish as a branch or as a joint venture with 51% foreign ownership. Within two years of China's accession, foreign non-life insurers will be permitted to establish as a wholly-owned subsidiary. Foreign life insurers will be permitted 50% foreign ownership in a joint venture with the partner of their choice. For large scale commercial risks, reinsurance and international marine, aviation and transport insurance and reinsurance, upon accession, joint ventures with foreign equity of no more than 50% will be permitted; within three years of China's accession, foreign equity share shall be increased to 51%; within five years of China's accession, wholly foreign-owned subsidiaries will be permitted.

History of China's Accession to the WTO

China was one of the 23 original signatories of the General Agreement on Tariffs and Trade (GATT) in 1948. After China's revolution in 1949, the government in Taiwan announced that China would leave the GATT system. Although the government in Beijing never recognized this withdrawal decision, nearly 40 years later, in 1986, China notified the GATT of its wish to resume its status as a GATT contracting party.

China is one of 30 governments currently seeking accession to the World Trade Organization. Like many of the countries now applying for WTO membership, China is in the process of implementing economic reforms and transforming its economy into one which is more market-based. China's accession process to the WTO has been guided by a Working Party whose membership consists of all interested WTO Member governments. Initially, the Working Party on China's status was established under GATT in 1987 and concerned only China's trade regime for goods. In 1995, it was converted to a WTO Working Party and its scope was broadened to include trade in services, new rules on non-tariff measures and rules relating to intellectual property rights.

A substantial part of China's accession process involved bilateral negotiations between China and WTO members. These were usually conducted privately, either at the WTO in Geneva or in capitals. Other meetings concern either informal or formal sessions of the Working Party. While several areas of China's trade policies, i.e. schedules of market-access commitments in goods and specific commitments on services, have been the focus of bilateral and plurilateral negotiations, it was the responsibility of the Working Party to maintain an overview of how the negotiations were progressing and to ensure that all aspects of China's trade policies were addressed.

Ambassador Pierre-Louis Girard, a senior Swiss trade official, served as the Chairman of the Working Party. The Chairman, member governments and China were aided in their work by the WTO Secretariat which provided administrative and legal assistance as necessary.

The Working Party had two tasks: to compile a report based on its deliberations; and to complete a Protocol of Accession. It is not unusual that WTO accession working parties attach a number of annexes to the protocol. The annexes are an integral part of the protocol, are legally binding and address specific issues related to the applicant's trade regime. As with all other accessions, the annexes, which have been a focus of the negotiations, are meant to provide WTO members with guarantees that the reforms or other transitional measures promised by the applicant will actually be implemented. In other words, they serve as a kind of a negotiated timetable for bringing the applicant's trade regime into full conformity with the WTO's rules and obligations.

Accession processes vary in length and can take several years to complete, much depends on the readiness of the applicant country to meet not only the rules and obligations of the WTO's market-economy principles, and its policies of pro-competition and non-discrimination, but also the market-access conditions for goods and services which the applicant country grants to other WTO Members. Because the Working Party makes decisions by consensus, all WTO members and the country seeking membership must be in agreement that their individual concerns have been met and that all outstanding issues have been resolved in the course of their deliberations.

The Chinese Taipei GATT/WTO relationship

In early 1965 Taiwan requested and was granted observer status at sessions of the General Agreement on Tariffs and Trade (GATT 1947). In 1971, this status was removed, following a decision by the UN General Assembly that recognized the People's Republic as the only legitimate government of China.

At its September 1992 meeting, the GATT's Council of Representatives decided to establish a separate working party to examine the request for accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu ("Chinese Taipei"). The Chairman said he had carried out extensive consultations on the subject of establishing a working party. He noted that all contracting parties had acknowledged the view of the People's Republic of China (PRC) that Chinese Taipei, as a separate customs territory, should not accede to the GATT before the PRC itself.

Hong Kong and China and the WTO

Hong Kong, then a British Crown Colony became contracting party of GATT on 23 April 1986. On 1 July 1997 the People's Republic of China, resumed the exercise of sovereignty over Hong Kong. From that date, Hong Kong became a Special Administrative Region of China. As such it would, inter alia, retain the status of a separate customs territory, and would continue to decide its economic and trade policies on its own and could, also on its own, using the name "Hong Kong, China", maintain and develop relations, and conclude and implement agreements, with States, regions and relevant international organizations in the economic, trade and other fields. Subsequently, Hong Kong, as a contracting party of GATT, was a full participant in the Uruguay Round and assumed all of the corresponding rights and obligations through formally accepting the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, which was drawn up at Marrakesh on 15 April 1994. By virtue of Article XI of the Marrakesh Agreement Establishing the World Trade Organization, Hong Kong became an original Member of the WTO. In accordance with the arrangements described above, Hong Kong will continue to be a WTO Member using the name of "Hong Kong, China".

Macau and China and the WTO

The People's Republic of China resumed the exercise of sovereignty over Macau, a former Portuguese colony, on 20 December 1999. On that day, Macau became a Special Administrative Region of China and as such, inter alia, continues to maintain its social and economic system and retained its economic and trade policies, on its own, using the name of "Macau, China", maintain and develop relations, and conclude and implement agreements with all States, regions and relevant international organizations in the economic, trade and other fields. The People's Republic of China said at the time that the Macau Special Administrative Region would continue to participate in relevant international organizations and international trade agreements such as the General Agreement on Tariffs and Trade.

Macau became a contracting party of the General Agreement on 11 January 1991 and was a founding member of WTO, which was established on 1 January 1995. On 20 December 1999 Macau continued to be a member of the WTO using the name of "Macau, China".

China in World Trade

In 2000 China was the 7th leading exporter and 8th largest importer of merchandise trade – exports: 249.2 billion dollars (3.9% share), imports: 225.1 billion dollars (3.4% share). For commercial services China was the 12th leading exporter and the 10th largest importer – exports: 29.7 billion dollars (2.1% share), imports: 34.8 billion dollars (2.5% share).

For further information contact:
World Trade Organization
rue de Lausanne 154
CH-1211 Geneva 21
Switzerland

Preparing for WTO

Comments from Various Sectors

The IT-challenge

"As part of the global standardization, China has emerged as one of the most important markets in Asia. The attractiveness of the market is further enhanced with China joining the World Trade Organization (WTO). Although existing business models and management systems have hindered the adoption in China, more and more enterprises have realized that they need to re-engineer their business processes and improve IT infrastructure, especially with the anticipated competitive pressures from China's entry to the WTO.

Gradually, companies in China will begin to face global competition. To succeed in this increasingly competitive business arena, companies will need to improve their competitive ability. Investing in IT systems that cope with business requirements and languages across many countries would be an excellent choice for a company's go-to-market strategy. The WTO entry will also bring increased foreign investment, which should also help push China's IT market.

At the same time, despite the perceived global economic downturn, China's economy seems little affected. Economic growth is still an influential driver for China's IT market. This trend will allow more companies to expand and increase profitability along with the development of the national economy. This will ultimately further stimulate IT growth. For example, consider the needs for Enterprises Resource Planning (ERP) software. In contrast to some 60 percent of Fortune 500 enterprises having installed an ERP system, only about 2 percent of China's top 500 companies have an ERP system installed, giving plenty of room for ERP vendors to grow.

With the increasing pressure to adopt an e-business strategy and keep up with the pace of globalization, organizations are re-evaluating their IT strategy, and considering how applications can maximize their investment by working beyond the confines of the enterprise – both now and in the long term."

by Peter Bornschein
Managing Director of Scala Business Solutions

(continued on next page)

The Tourism Industry

"There are many positive changes with WTO accession to the five-star hotel market. We utilize the best products for our guests in our Italian, Japanese, Chinese and Western Restaurants. Some products must be imported and carry a high tax, such as wine, spirits and cosmetics. Although we have sourced outstanding local food products, we also have a need to import certain food products from countries to produce authentic results. With the WTO accession, we look forward to offering our guests a wider variety of premium imported products at reduced taxes.

The problem sometimes is in the consistency of the product and timeliness of the deliveries. I feel all of this will be improved. The hotel and guests will benefit with more high quality products, value for guests, and this will also lead to improved profits for hotels.

The services will improve as more independent companies operate transportation, destination management, tours, travel agencies and conference/meeting services. Meetings and conventions are vital to any city's growth and contributes to every community's business. Following the APEC success in October, we see an increase in this for the hotel industry.

The most important impact of WTO will be for the people of Shanghai and China with continuous growth of companies doing business here. This will provide more opportunities in career development for our employees as we expand in China. At the Ritz-Carlton, investment in people is the most important to our continued success. The people create positive change necessary to provide outstanding guest satisfaction and improved financial results."

by Mark DeCocinis
General Manager of the Portman Ritz-Carlton Hotel

Changes for Lawyers

Foreign law firms do not get much
That China's accession was so time consuming, some 16 years, was in part due to the necessity to enter into agreements with other WTO members, notably the US and the EU. Foreign lawyers are no doubt somewhat disappointed in that they receive very little by the accession. This is probably due to the United States not placing great emphasis on fighting in the lawyer's corner. Generally the US has been the primary patron of foreign lawyers in China. As a result little headway was made.

In my opinion the WTO accession terms formalize what was already common practice. 1) Foreign law firms will be entitled to open offices in more than one Chinese city. The vast majority of foreign law firms are to be found in Beijing and Shanghai, the political and economic titans of China. Most larger foreign law firms have already had informal offices in the other city for a number of years under a number of guises). 2) Foreign law firms will be entitled to have more than one office in a city. This is unlikely to be of much use to foreign law firms. 3) They will be legally entitled to engage in a limited extent in advising on Chinese law. However, it is clear that foreign law firms in China have been doing this since their inception.

Lawyers rejoice
Although, it offers them relatively little for their own operation I still believe foreign lawyers have reason to rejoice alongside their Chinese brethren. In my opinion WTO membership will lead to increasing amounts of business for lawyers in China for the following reasons:

Increase in trade, investment and co-operation – WTO entry will lead to greater access to the Chinese market and also greater access for Chinese enterprises to foreign markets. Both movements will result in work for lawyers. In the author's opinion undue media speculation has been centered on the impact foreign enterprises will have on China, whereas the greater story at least long term is likely to be the impact well run Chinese enterprises will have on the global economy.

Improved perception of China
I have noted from discussions with clients that WTO membership has led many businesspeople to re-evaluate their China policy. For many (even medium sized companies) China is too big to ignore. A common motivation for these medium sized companies is to follow their customers to China – "if we cannot supply them in China, we might lose their business in Brazil and if we lose the Brazil business then we might even lose them in Europe".

Key areas become more open
China's membership means that restricted areas such as services, telecommunications, insurance, health case, distribution, retail and many others will be open to foreign investment. It is highly likely and our practice is already seeing foreign companies ready themselves for an entry into such previously restricted areas. A particular boon to lawyers is that the easing of most restrictions will be staged over a period of years which will mean that lawyers will have ongoing restructuring work in relation to such projects.

Rule of Law
The author's opinion is that many of the very same foreign business people who have complained about China's lack of a rule of law will start to complain of increasing legal restrictions. Although China's laws still lack sufficient detail they are improving rapidly over the last years. The greater problem has been their implementation and enforcement. It is likely that as other barriers fall China's authorities will become increasingly strict in enforcing rules that are on the books e.g. recent actions in relation to retail FIEs which were established without central approval as legally required. It will not be possible to have a rule of law without lawyers.

by Mark Schaub
Lawyer working at King & Wood, a leading private PRC law firm

The Logistics Industry

"At P&O Nedlloyd, as a global shipping & logistics provider, we can only welcome China's long awaited accession to the WTO. A WTO without China is somewhat like a ship only half full of cargo.

Certainly there is little doubt that China's entry will spur additional import and export trade growth for their market at least. Increased foreign inward investment to China is also taken as a given from China's entry, but to a certain extent this factor needs to be somewhat downplayed, as this has already been happened for quite some time.

Still China's WTO accession should bring about the true globalization of China's economy in all sectors. Of course in the logistics and transportation sector we particularly welcome this as it should provide more opportunities for truly global operators like P&O Nedlloyd.

However, there is unlikely to be any immediate "Big Bang" in logistics, not least because this industry in China still spawns such a myriad of different operators in various subsegments of the industry, some large but many small.

This poses a dilemma for the authorities, who may ultimately support the obvious requirement for some consolidation to promote efficiency in the existing fragmented industry but at the same time are mindful that many of the local players could be swamped by a sudden rush of newly licensed foreign competitors.

Hence the emphasis in much of the WTO protocols relating to transportation & logistics is still on a slower, more phased "opening up" with JVs still preferred in the early post accession years. This may not be everybody's "cup of tea" short term but in the medium term we certainly see great opportunities to get involved in our own right across a much broader spectrum of activities in the maritime related transportation & logistics industry."

by Edward van Dorp

The comments contained are the personal opinion of the authors.
If you have any queries or would like to discuss any aspect, you can contact them through: info@chinabiz.org

China Appoints Ambassador to WTO

President Jiang Zemin appointed Sun Zhenyu as China's permanent representative and ambassador to the WTO, in accordance with a decision made by the National Peoples Congress Standing Committee. Sun was also appointed China's permanent deputy representative to the Geneva Office of the United Nations and other Switzerland based international organizations.

Source: People's Daily

Beijing Lagging in Writing WTO Laws

Officials are rewriting hundreds of laws to meet the commitments China made as conditions of WTO membership, frustrating a wave of foreign companies rushing into the market. Even if rules exist, millions of local officials remain unaware or resistant to them. The State Council has yet to finish drafting or revising a group of 40 laws and regulations. Cabinet departments must still scrap or revise 1'000 administrative codes, and Beijing also must still revise or eliminate more than 90 major laws and 1'000 rules.

Source: ChinaBiz

New Survey Captures CEO Mood

Global CEOs Maintain Foreign Direct Investment Plans Despite Dramatic Increase in Concerns over World Economy

Although nearly 95 per cent of CEOs and senior executives from the world's largest companies are more concerned about the global economy today than they were a year ago, two-thirds say they still intend to invest abroad at approximately the same levels as already planned for this year. These are among the findings of a new survey conducted by A.T. Kearney's Global Business Policy Council in the aftermath of the September 11 terrorist attacks.

About 16 per cent of executives said they now intend to increase investments abroad compared to investment plans for this year, and 20 per cent say they will decrease investments. Three-quarters of respondents said that first-time outward investment would likely be destined for developing countries, with one-fourth bound for developed investment destinations, no change from A.T. Kearney's last Foreign Direct Investment Confidence Index® study in January 2001.

Americas Executives more Confident than Europeans

European senior executives are more pessimistic than their counterparts in the Americas, with about a third of the former, unanimously downbeat about global economic prospects, planning to reduce investments abroad. Senior executives from the Americas say they are more likely to maintain approximately the same levels of outward investment already planned for this year.

Three-fourths of global senior executives view a delayed U.S. economic recovery as a primary factor that could influence the implementation of their investment plans this year. "Despite the growing bearish global economic consensus, the world's largest foreign investors are keeping a 'steady-as-you-go' hand on their investment plans, with the course of the U.S. economy likely to exert the biggest influence over future FDI decisions," said Paul A. Laudicina, A. T. Kearney Vice president and Managing director of the firm's Global Business Policy Council, which conducts the annual FDI Confidence Index study.

The negative view of global economic prospects is dramatic compared to the response to the same question in the January 2001 FDI Confidence Index. More than nine out of ten CEOs are more negative about global economic conditions today than compared to a year ago, when only 35 per cent felt more negative and 24 per cent felt more positive towards the global economy.

The Global Business Policy Council

The Global Business Policy Council is a strategic service of A.T. Kearney that helps chief executives monitor and capitalize on geopolitical, economic, regulatory, technological and social change worldwide. Council membership is limited to a select group of corporate leaders and their companies. The Council's core program includes periodic meetings in strategically important parts of the world, timely analytical products, regular member briefings, regional events and other services.

A.T. KEARNEY

A.T. Kearney (www.atkearney.com) is one of the world's largest and fastest-growing management consulting firms. With a global presence that includes over 60 offices and 35 countries, spanning major and emerging markets, A.T. Kearney provides strategic, operational, organizational and technology consulting and executive search services to the world's leading companies. A.T. Kearney is the high-value management consulting subsidiary of global services leader EDS.

EDS

EDS, the leading global services company, provides strategy, implementation and hosting for clients managing the business and technology complexities of the digital economy. EDS brings together the world's best technologies to address critical client business imperatives. It helps clients eliminate boundaries, collaborate in new ways, establish their customers' trust and continuously seek improvement. EDS, with its management consulting subsidiary, A.T. Kearney, serves the world's leading companies and governments in 55 countries. EDS reported revenues of $19.2 billion in 2000. The company's stock is traded on the New York Stock Exchange (NYSE: EDS) and the London Stock Exchange. Learn more at www.eds.com.

Geopolitics Re-Enter the Risk Equation

Geopolitical factors have risen in importance as FDI determinants compared to previous FDI Confidence Index results, in which economic variables were the key drivers of capital allocation choices. "For foreign investors, global political stability in the post-Cold War era had become almost axiomatic; today CEOs and other senior decision-makers have put geopolitics back into their investment risk calculus," said Laudicina.

"Global political instability increases the risk of continued economic downturn, which negatively impacts confidence for making foreign direct investments," noted the Chief financial officer of one of the world's leading metals and mining firms, a comment representative of the answers given to a question about changes in relative risk assessment for FDI decisions after September 11th.

Nonetheless, economic fundamentals remain the top priority for executives when making investment decisions. Most CEOs view U.S. and European economic health as among their greatest concerns driving investment decisions. Executives expect U.S.-led military action to have a greater impact on FDI decisions than energy price volatility, Japan's economic recovery, future trade rounds or the launch of the euro.

China Growth Expected to Continue

The United States suffered the largest negative shift in investor sentiment since the FDI Confidence Index began tracking this indicator in 1998. Nearly one-third of investors hold a more negative outlook of the United States as an investment destination compared with one year ago. Only one in 10 investors have a more positive outlook on the U.S. Over the past four years, investor sentiment toward the U.S. had grown increasingly positive.

China is the only major economy to experience a positive shift in investor sentiment, with close to 15 per cent of executives reporting improved perceptions. This finding comes as no surprise as China is expected to maintain high levels of growth next year as it integrates further with the world economy and actually enters the World Trade Organization.

Country and sector coverage among the participating companies reveals a normal distribution compared to the Global 1000 population. The results of the FDI Confidence Index Flash Questionnaire are intended for general information purposes only and do not constitute investment or other business advice.

Summary of survey conducted by A. T. KEARNEY

Insight China: Access to New Opportunities

Since the WTO opened the gates of China, the world's attention has been drawn to the Kingdom of the Middle. The same is true for the University of Applied Sciences (UAS) Solothurn Northwestern Switzerland, which is planning to focus a part of their degree program 'International Management' on China.

In order to evaluate the recent developments of Swiss companies and the feasibility of an on-site China seminar, the university sent its two senior students Philipp von Büren and Franc Kaiser to China. Their journey led them to the east coast spearheads Shanghai, Suzhou, and Beijing as well as to northwestern regions like Gansu and Shaanxi.

The lack is dry: China finally joined the WTO – and any study, theory, or prediction on the consequences is now on the balance of truth. Our mandate with the UAS enabled us to take a closer look at these highly interesting developments. In order to gain insight we examined the current situation of Swiss companies during our visit to China in September 2001, just before its WTO accession.

The companies we visited represent a variety of industries, from machinery to financial services. We would like to thank all those enterprises for their warm welcome and kind attention. Their first-hand information helped us to get an overall and distinguished view of the current and possible future Chinese market. We cannot deny our fascination with China – so diverse and complex and fast changing, offering challenges and opportunities alike.

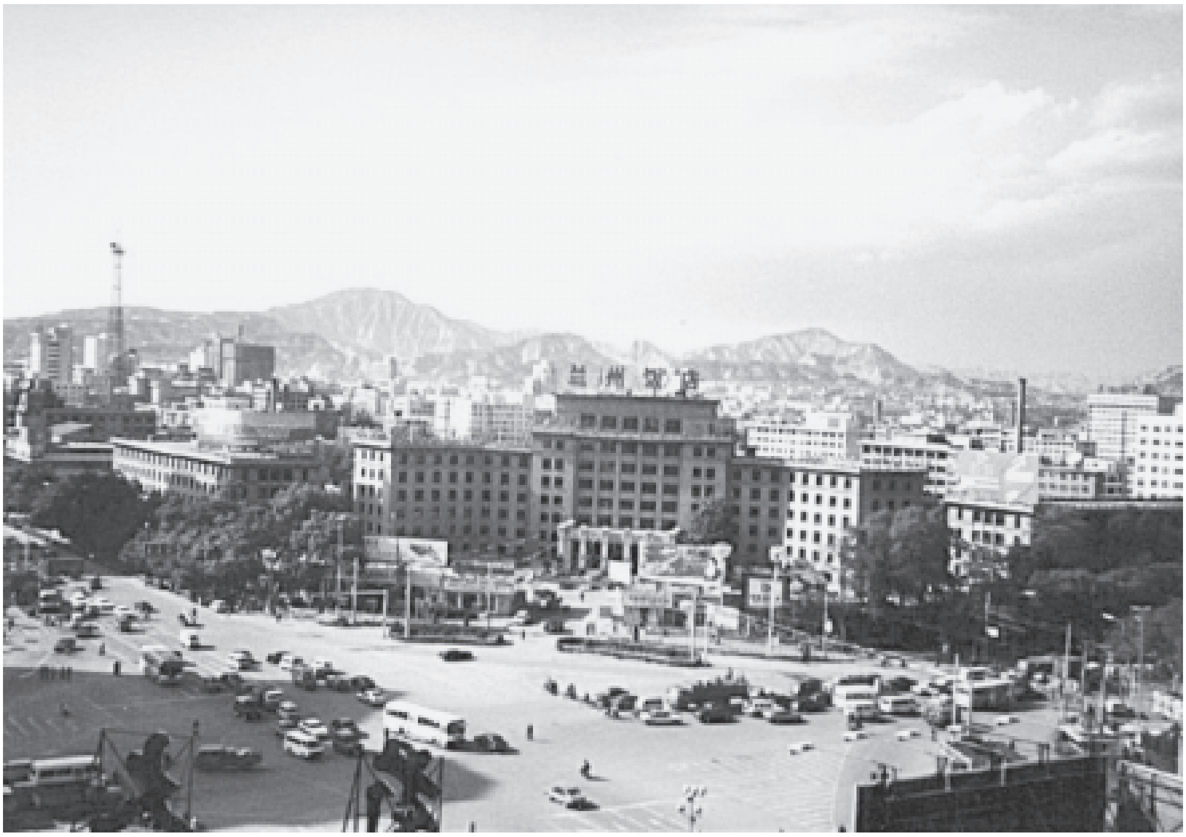
"Expect a lot…"

Will the WTO bring boom or doom then? For us, there is no doubt: in booming Shanghai in particular, all companies are extremely bullish and expect big times ahead. But also without WTO, the turmoil of China seems to be determined.

Living and working conditions are changing so fast these days that snapshots of China made a few years ago become worthless. Mr William Keller, General Manager of Roche Shanghai, put it in a nutshell: "Expect a lot, but never assume". Old facts concerning the Chinese market, like a bad distribution infrastructure or unqualified Chinese personnel, have turned into myths of the past.

Time traveling to the past of China: Lanzhou

The experience of a visit to Lanzhou, the capital of Gansu province, unveils an older, less developed China. Compared to sparkling Shanghai, a city like Lanzhou is just



Crossroad in Lanzhou, Gansu Province.

Shopping center in Lanzhou.

at the threshold of a booming development. This is the place where the famous Lanzhou Beef Noodles have no competition from McDonald's, and where only few foreign enterprises have risked their launch yet. This is also the place which gives access to the famous silk road. Lanzhou as a trading point between East and West is trying – with a lot of investment – to get a foothold in a capitalistic world. A newly built airport, railway station, university, as well as several office buildings attract people from everywhere.

The governmental 'Western Development Strategy' has just started, along with the 10th 'Five-Year Plan', to invest in highways, railways, and telecommunication infrastructure. Plans full of hope and ambition are in the air to fill the massive gap between East and West. Indeed, conditions in provinces like Gansu are about 30 years behind advanced coastal cities. Gansu is facing many social and environmental problems, which need to be solved urgently. Here are obvious opportunities for foreign companies providing the necessary technology and know-how. Such resources, the support of Gansu Province, and the willing manpower of the young Chinese can help the whole region to anchor in the thriving development of China.

New entry strategies for Swiss investors needed?

Our general conclusion of our insight into Western and Eastern China can be broken down into three points:

1. Big times are ahead. Not only high riding expectations, but also increased FDI and lively interest of multinational companies draw a clear and bright picture of the future of China.

2. Tough times are ahead. The term "competition" will find a new definition. As more and more foreign companies try to pry open Chinese markets, SOE reforms will start to bear fruits, and a new competitive landscape will emerge. Chinese companies, tricky and clever as ever, will cause the foreign players a lot of woes.

3. New opportunities are ahead. The long-term massive change will open up never seen opportunities as well as never expected threats. Western business approaches might needed to be trashed, and traditional Chinese business practices do not pay out anymore. To succeed in this complex environment, completely new business approaches will find their way to succeed.

Since the WTO invites everybody to compete for the local market, new strategies might be necessary especially for SMEs. Competition will be fiercer than ever in China, and traditional entry methods using Hong Kong or Shanghai as a gateway to China will not promise the same success as before. Evaluating new entry locations such as northwestern China are more hope than hype, but will definitely emerge as alternatives to Shanghai or Hong Kong. Our further endeavour with the University of Applied Sciences Solothurn will focus on this issues.

New Seminar on Business Opportunities in China: "Insight China"

The UAS Solothurn's degree course "International Management" will focus on China in April / May 2002. Evaluating business opportunities in China and the effects of WTO accession will provide the contents for a two-week on-site seminar in China, concentrating on three main areas: the cultural and governmental hub Beijing, the coastal city of Shanghai, and a western city like Lanzhou. An analysis of these contrasting locations will provide further insights into the diversity of Chinese markets.

The outstanding relationships of the UAS Solothurn with Lanzhou University and Lanzhou officials provide an ideal platform for workshops and exchanges of know-how. The participants of the seminar will include the 3rd-year students of the 'International Management' degree course and other China-interested individuals or company delegates. The seminar will attract trainees of Swiss companies as well as executive managers, as it offers overviews and insights as well as interesting contact opportunites.

The seminar "Insight China" offers a three-pronged schedule, starting with preparation training (learning soft skills and hard facts, learning about tax and regulation systems, intercultural issues, do's and don'ts in China etc.), continuing with the two-week on-site seminar in China (learning from e.g. MOFTEC, the Swiss Embassy, and interviews with Swiss companies etc.), and a follow-up session back in Switzerland (evaluating the results). The goal of the seminar is to gain market knowledge of a highly diversified China, and to establish business plans for possible new businesses.

You are very welcome to join us!

For further information, please contact Franc Kaiser: franc.kaiser@fhso.ch, or consult our website: www.fhso.ch.

"International Management" is a young degree course created by the University of Applied Sciences Solothurn Northwestern Switzerland in Olten, Switzerland. The course focuses on business studies in an international environment and on global issues, and is entirely held in English. The first students of this course will graduate in September 2002 and will be ready for international challenges – also for China and Asia as a whole.

Shangri-La to Open Hotel in Fujian Province

Shangri-La Hotels and Resorts announces that it will open a hotel in Fuzhou, the capital of China's Fujian province, in early 2004. The Shangri-La Hotel, Fuzhou will be situated in the heart of the city, which is located on the southeast coast of China. Investment for the new property is US$70 million (77,516,192.24 Euros or just over £48 million pounds sterling). It is majority owned by Shangri-La Asia. "Shangri-La is very committed to expansion in the Chinese mainland, where we are already the largest luxury hotel group. We're excited to announce this new project in Fuzhou. With China entering the World Trade Organisation, Fuzhou offers future growth opportunities", says the group's Chief Executive Officer, Giovanni Angelini.

Nearly half of Shangri-La's 38 hotels are located in China, and the group recently announced it would open two other new hotels in China, in Zhongshan and Zhengzhou, both of which are slated to open in July 2003.

The Shangri-La Hotel, Fuzhou

The Shangri-La Hotel, Fuzhou will overlook the main Wuyi Square and scenic areas of Wushan and Yushan, making it ideal for both business and leisure travellers. The 416-room hotel is being designed by Tokyo-based KKS Architects and Singapore-based Wilson Associates. The property will feature a variety of restaurants, including a rooftop bar and restaurant on the 26th floor, a Chinese restaurant, an international cafe restaurant, a lobby lounge and a deli. The hotel will also have a business centre, shopping arcade, gift shop, beauty salon and recreational facilities. It's meeting facilities will include a 1.700-square-metre ballroom that will be complemented by a full range of meeting and function rooms.

The City of Fuzhou

The 5.000-year-old city of Fuzhou is the political, economic and cultural capital of the Fujian province, with a population of around 5.75 million. Today, Fuzhou's main industries include food processing, chemicals and textiles. The mountains surrounding the city produce many famous teas, and Fuzhou has become a centre for the arts of tea brewing and tea tasting. The city is also famous for Shoushan stone carving, a method of carving alabaster that has been practised in the region for 1.500 years, and bodiless lacquerware, a unique craft that along with porcelain and cloisonné is considered to be one of China's three folk art treasures.

Shangri-La Hotels and Resorts celebrated its 30th anniversary in 2001. The company has nearly 20.000 rooms and 38 properties in the Chinese mainland, Fiji, Hong Kong SAR, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Taiwan and Thailand. For more information on Shangri-La or hotel reservations, please visit www.shangri-la.com.

Swiss Trading Houses Plan to Merge

Diethelm Keller Services Asia Ltd. and SiberHegner Holding Ltd. are planning to merge – creating an international marketing and services group with more than 13.000 employees –

Two Zurich-based trading houses with long traditions and strong roots in Asia are shaping a joint future. A letter of intent has been signed by the Boards of Directors of Diethelm Keller Holding Ltd. and SiberHegner Holding Ltd. to merge SiberHegner and Diethelm Keller Services Asia into Diethelm Keller SiberHegner Holding Ltd. The planned merger will result in a truly unique marketing and services organisation able to provide a comprehensive package of integrated services within and for Asian markets.

An excellent fit

The two corporations complement each other ideally in their activities, markets served and their respective strengths. Whereas SiberHegner traditionally holds an unique position in Japan and has established a network spanning Asia, Europe as well as the Americas, Diethelm Keller Services Asia has a leading position in Asian markets, predominantly in Thailand. Consequently, the new marketing and services Group will cover the entire value chain, from sourcing to after sales service. With more than 13.000 employees, it will operate across more than 30 countries in Asia, Europe and the Americas. Added value is created for all stakeholders: promising opportunities arise for partners, principals as well as customers, and the employees will benefit from significant development potential.

Professional management

It is planned that the designated CEO of Diethelm Keller Holding Ltd., Renato Fassbind, will become Chairman of the Board of the newly formed corporation, Diethelm Keller SiberHegner Holding Ltd. (DKSH). Jörg Wolle, the current CEO of the SiberHegner Group, will become CEO and Managing Director of DKSH. The two current chairmen will continue to be actively involved in shaping the future of the new entity DKSH. In line with the different sizes of the two companies Diethelm Keller Holding Ltd. will hold the majority of the joint entity. The planned merger is subject to due diligence, signing of definitive agreements and relevant approvals.

Houses with long traditions

Established in South East Asia in 1887, the companies Diethelm and Eduard Keller merged to form Diethelm Keller Services Asia (DKSA). Today the company generates annual revenues in excess of CHF 2.5 billion and has approximately 12.000 employees. DKSA is active in 15 Asian and Pacific countries as a distribution and marketing service provider. The main business segments are Pharmaceuticals & Healthcare, Chemicals, Consumer Goods, Logistics, Food & Ingredients as well as Technology. It is the largest subsidiary of Diethelm Keller Holding Ltd. In addition, the Diethelm Keller Group includes Diethelm Keller Management & Investment Ltd., Diethelm Keller Travel Asia Ltd. and STA Travel Ltd.

Founded in Yokohama, Japan in 1865, SiberHegner is a Zurich-based marketing and services group with annual revenues exceeding CHF 1 billion and approximately 1.200 employees. It ranks among the leading marketing and services companies serving Asia, Europe and the Americas. SiberHegner focuses on the strategic business segments Technology, Chemicals & Pharmaceuticals, Food & Ingredients, Premium Pet Products as well as Consumer Goods.

For further information:
Dr. Jörg Wolle, CEO
SiberHegner Group
Tel +41 1 386 7209
joerg.wolle@siberhegner.com

Andreas W. Keller, Chairman
Diethelm Keller Holding Ltd.
Tel +41 1 265 3300
awkeller@diethelmkeller-ho.com

A Concept for SMEs to Invest in Shanghai

China, the second largest country that foreign investments land on and the last huge potential market in the world is making its stride in a new century and entering the WTO. Currently, more and more multinational companies in China require their component suppliers to produce on the spot. The chance is that SMEs, originally homeland-located, will extend their business not only in terms of trade, but also in terms of investment.

As many institutions are exploring the opportunity following this trend, Bank of Shanghai (BOS), an SME-oriented commercial bank and the 9th biggest in China, is adapting its business module in cooperation with the

Swiss Center Shanghai (SCS) and the Sino-Swiss partnership Fund (SSPF). This bank joined SCS as financial service partner in a bid to facilitate foreign investment, especially those from the SME-group.

The concept for this cooperation is to create an integrated, one-stop-shopping solution to assist SMEs in entering the Chinese market.

1. SCS' mission is to give SMEs who need/want to enter the Chinese market a global strategic advantage by systematically reducing and optimizing the market entry time, the costs and investments and risks.

2. BOS offers such corporate and private banking services such as deposit, money transfer, loan, mortgage, foreign trade financing, guarantee and tailored service etc.

3. SSPF as jointly established Sino-Swiss investment fund, offers equity financing for joint ventures (or solely-owned firms).

Established on December 29, 1995, the Bank of Shanghai boasts a very dynamic development over the past 5 years with a growth rate of 25% annually and quality service acknowledged by the local community.

In September 1999, the bank formally accepted IFC's (a member of the World Bank Group) stake participation, owing to its prudent operation and standardized management. It is the first time for the World Bank Group to take a stake participation in the Chinese banking industry, which represents one more step for BOS on its way towards a modern commercial bank in compliance with international practices.

So far, the bank has established corresponding banking relationship with 142 overseas banks and is trying to gradually integrate its domestic and foreign currency businesses.

The bank will keep taking its unique advantage as a joint-stock commercial bank and making active efforts in exploring a better way to promote local economic growth and offer excellent financial services to all sectors of the economy.

For further information please contact:

Swiss Center Shanghai
Philippe Zwahlen
www.swisscenters.com

+86-21 626 608 44 (Phone)
+86-21 627 608 56 (Fax)

China Online to Publish English Caijing Magazine

China Online announced that it will be publishing the exclusive English-language version of China's premier financial publication, Caijing Magazine, starting in January 2002. Caijing Magazine features cutting-edge reporting on the Chinese securities industry and is known to move markets.

ChinaOnline's English-language translations of key Caijing reports will appear on chinaonline.com the same day they are published in China.

The first China Online-published edition includes a critique of local fund managers, an inside look at Chinese government purchasing programs, a report on the perils of the mining industry in China, and an interview with CSRC Chairman Zhou Xiaochuan.

Caijing Magazine is China's premier biweekly financial publication. It has been published since 1998 by the China Security Market Research Center, and is well known in China for its editorial independence.

China Online, also founded in 1998, provides independent business news and analysis focused on media reports in the Chinese media.
Full text stories are available to China Online subscribers only, however daily news briefs and most commentary is available at no charge by visiting the website, www.chinaonline.com.
It also syndicates its news stories to Reuters, Bloomberg, Dow Jones, The Financial Times and other media outlets, and is a two-time winner of Forbes Magazine's "Best of the Web".

Swiss-ASIA Now in Shanghai

Due to the new WTO agreements with China, Swiss-ASIA Human Resources Ltd., represented so far in Zurich and Singapore, decided to open a representative office in Shanghai with 3 consultants on December 1st 2001. The enterprise registered a duplication of executive-search mandates in Asia in 2001. Almost 60% of the total sales where realized in China! For these reasons, the step to move to China was obvious for Swiss-ASIA.

The field of activities is focussed on placing key-persons (CEOs, Head Joint Ventures, Country Managers etc.) for Swiss or European enterprises to China, Korea and Japan. In addition, Swiss-ASIA offers customers complete employment-packages such as individual calculation of adequate salary, work contracts for expatriates, insurance consulting, integration of the family etc.

For more information contact:

Swiss-ASIA Consulting (China) Ltd.
HSBC Tower, Level 21
101 Yin Cheng East Road
Pudong, Shanghai 200120, China

Tel: +86-21 2890 333 0
Fax: +86-21 2890 303 0
info@swiss-asia.com
www.swiss-asia.com

The HSBC Tower in Shanghai.

NEWS FROM MEMBERS

Membership Card Values

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

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

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

RESTAURANTS

Restaurant China-Palast
Petersgraben 21
CH-4051 Basel
✆ 061-261 31 13 Fax 061-261 99 46

China Restaurant Rhein-Palast
Untere Rheingasse 11
CH-4058 Basel
✆ 061-681 19 91 Fax 061-261 99 46

China Restaurant Astoria
Neumarktstrasse 38/rue du Marché-Neuf
CH-2500 Biel-Bienne 3
✆ 032-322 83 22 Fax 032-322 83 63

China Restaurant BAO TAO
Bernstrasse 135
CH-3627 Heimberg
✆ 033-437 64 63 Fax 033-437 64 62

Cheng's China Restaurant (mit Seeterrasse)
Marktgasse 15
CH-8640 Rapperswil
✆ 055-210 17 70 Fax 055-410 14 51

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

BAMBOO INN
Culmannstrasse 19
CH-8006 Zürich
✆ 01-261 33 70 Fax 01-870 38 88
closed on mondays

Restaurant CHINA-TOWN
Bälliz 54
CH-3600 Thun
✆ 033-222 99 52 Fax 033-222 99 52

CHINA GARDEN
Schützengasse 12
CH-8001 Zürich
✆ 01-211 71 00 Fax 01-212 35 61

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

ZHONG HUA
Zähringerstrasse 24
CH-8001 Zürich
✆ 01-251 44 80 Fax 01-251 44 81

SUPPLIERS / FURNISHINGS

CHINA ART antikes Interieur
Rugenparkstr. 34
CH-3800 Interlaken
✆ 033 826 00 88, Fax: 033 826 00 89
E-mail: china-art@creahouse.ch
website:www.artofchina.ch

TRAVEL

CULTURE AIR TRAVEL S. A.
10a, rue Emile-Yung
CH-1205 Genève
✆ 022-839 81 81 Fax 022-839 81 80
E-Mail: Cultureair@swissonline.ch

FIRST TRAVEL ENTERPRISE
Winterthurer Strasse 698
CH-8051 Zürich
✆ 01-322 66 88, Fax 01-322 66 90
E-Mail: victor@FTE.ch
website: www.FTE.ch

HOTELS

HOTEL TIEFENAU ZURICH
Steinwiesstrasse 8
CH-8032 Zürich
✆ 01-1-267 87 87 Fax 01-251 24 76

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