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Responsible Editors:

Susan Horváth,
Managing Director
Paul Wyss,
Vice President

Swiss-Chinese Cham-
ber 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

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P. O. Box 2171
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Switzerland
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Dr. Kurt E. Stirnemann

Worldwide Transportation Engineering, Freienbach

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(former New Sulzer Diesel)

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Dr. Daniel V. Christen

Hilterfingen

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Lawyer, LL. M., HSCB Republic, Geneva

Secretary:

Dominique Perregaux

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Bernard Büschi

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

Board:

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 Manager, Hôtel Intercontinental, Geneva
 Director, O. P. I. (Office de la Promotion Industrielle), Geneva
 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
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Walter Landolt

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 Lugano
 Attorney-at-Law, Lugano

Legal Chapter Zurich

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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

Anzeige
SiberHegner



Greeting from the New President

I am delighted to have the opportunity of addressing you as your new President in this first and special issue of the Bulletin in 2002.

Seven years ago, I was elected by the SCCC's Members to the Board of the Chamber and became member of its Executive Committee in 2000. As Vice President, I took responsibility as deputy of the President and today, I'm very honoured to be chosen as the Chamber's new President.

The General Assembly 2002 was an auspicious moment to start my new duties. The presence of H. E. Wu Chuanfu, the Chinese Ambassador, and State Secretary Dr. David Syz, Head of the State Secretariat for Economic Affairs (seco), was a symbol of the good standing the Chamber has achieved with both Chinese and Swiss authorities. One of my personal goals is to further strengthen this position in Switzerland and China.

Another objective is to further enhance the manifold services the Chamber offers to its members. China's membership in the WTO opens many new opportunities for foreign investors. With the assistance of its associated offices in Beijing and Shanghai, the Chamber will strive to keep members informed on these prospects, while our legal chapters will provide information and support on the numerous new laws and regulations being issued by Chinese authorities.

The Swiss presence in China is already impressive, but there is room for further activities. The forthcoming Swiss Innovation Week, coordinated by the Chamber, and led by State Secretaries Dr. David Syz and Dr. Charles Kleiber as well as Director Eric Fumeaux, will be an excellent opportunity to establish new contacts.

Finally, beginning my term as President, I am looking forward to working closely with the Board and the Chamber's Secretariat under the tireless leadership of Susan Horváth. I am also counting on the active participation and support of all our members.

Last, but not least, I wish to thank my predecessor, Dr. Manfred Zobl, for his outstanding contribution to the Chamber's strength and influence. I am delighted to be able to count on his continuing input and support as a member of the Executive Committee.

Dr. Jörg Wolle
President

Activity Report



Dear Members, dear Readers

In the midths of the preparations for the Swiss Innovation Week or also called China Mission 2002, the General Assembly of the Chamber took place exactly one month before the official Swiss delegation to China led by Dr. David Syz, State Secretary for Economic Affairs together with Dr. Charles Kleiber, State Secretary for Science and Research and Eric Fumeaux, Head of the Federal Agency for Technology will leave for China with the largest number of members (84) ever. In view of this, it was not only an honour to have Dr. David Syz as guest speaker at this year's annual meeting, but also a top up-to-date event in every sense.

Among the high-ranking guests were also the new representatives from the Embassy and the General Consulate of the People's Republic of China: Counsellor QIN Hongliang from the Economic and Commercial Section in Muri and Consul General LU Wenjie from Zurich.

In addition to these new appointments on the Chinese side, the Chamber announced its own changes. Starting from May 8th it is headed by a new President: Dr. Jörg Wolle, CEO and Managing Director of SiberHegner and designated CEO of the planned merger of SiberHegner and Diethelm Keller Services Asia into the new DKSH. Jörg Wolle was elected as fifth President by the Members of the Board by circular resolution end of this March after Dr. Manfred Zobl announced his resignation and aim to officially hand over his presidency at the General Assembly.

In his speech Manfred Zobl looked back to some memorable events which took place during the three years of his presidency: The visit of President Jiang Zemin and his high-ranking delegation from China – the first visit of a Chinese President to Switzerland – in 1999, the 50th anniversary of the diplomatic relations between Switzerland and the People's Republic of China and the 20th anniversary of the Swiss-Chinese Chamber of Commerce in 2000, or the entry of China into the WTO end of 2001.

The Board and the members of the Chamber expressed their warm thanks to Manfred Zobl for his great commitment and strong support.

The General Assembly approved the Chamber's Activity Report 2001 which was marked by events such as

the Sino-Swiss Investment Forum with delegates from MOFTEC or by the China Mission 2001 with preparations and a major event in November after the Mission had to be postponed end of September or by the third Legal Forum in Zurich, organized by the Legal Chapter.

On January 2002, a total of 429 memberships were registered at the Chamber in Switzerland (Zurich, Geneva, Lugano). At the General Assembly and founding of the National Chamber in China end of March 2001, the Chamber handed over its Chapters in Beijing and Shanghai to the local organisations. They count about 250 members in China.

The website www.sccc.ch is developing extremely fast and is well visited (example: month of February 2001 counted 8'000 and March 2002 over 50'000 hits).

The consolidated accounts for 2001 closed with a surplus again, despite a loss for the Geneva Chapter. The unexpected loss in Geneva is due to the fact that with the hand-over of the presidency, the Chapter had to be re-evaluated and various activities including membership fees had to be consolidated after more than seven years since the merger with the Chamber in 1995. Transparency is now reached and should give Geneva the possibility for a fresh start.

Changes in the Board were approved as follows:

Urs Hecht, Head Asia of Diethelm Keller Ltd. resigned from the Board in view of the planned merger of SiberHegner and Diethelm Keller. Dr. Kurt Moser, former Director of *economiesuisse* (VORORT) has been elected as new member to the Board and is going to be responsible for matters regarding Hong Kong.

For the composition of the Executive Committee turn to page 2 in this issue. Those who have not been able to



Honorary guest State Secretary David Syz at this year's General Assembly of the Chamber on May 8th.

attend the General Assembly can ask the Chamber for a full documentation.

As you might have noted you are holding a special and "heavier" issue of the Bulletin in your hands which is dedicated not only to the Swiss Innovation Week but includes a series of articles worth to be kept for a longer period of time than usual. Many statistics and extensive reports on the economic situation and on intercultural aspects regarding your China endeavours do cover parts of the speeches during the General Assembly and have been collected in regard to the Swiss Innovation Week. It also shows our aim to serve those who have not been able to join the China Mission and have waited so long for the first issue of the Bulletin.

Being a pilot project of seco and GWF the China Mission represents with its complex structure and extensive work a great challenge for all involved partners as well as for the Chamber who acts as one of the co-organizers and for the overall logistics. However, every step towards a better mutual understanding and the improvement of the bilateral relations is an opportunity that has to be taken and makes all the efforts worthwhile.



Susan Horváth
Managing Director
Member of the Executive Board

Next Event: June 21st

with

Counsellor Jürg Lauber,

Embassy of Switzerland, Beijing

and

Consul General Hans Jakob Roth

Consulate General of Switzerland, Shanghai

Full day seminar in Zurich on Friday, June 21st 2002 in cooperation with osec business network Switzerland.

"Up-date China: Soft and Hard Facts on Doing Business with China"

Detailed program and place to be announced with invitation.

Summer Vacation

The office of the Chamber in Zurich
will be closed from Monday, July 22
until Friday, August 2, 2002.

New Members 2002

Since January 1st:

Zurich

Sulzer Orthopedics Ltd.	Baar
Swiss Management Forum	St. Gallen
Dr. Weimin XI	Wädenswil
SKK AG	Basel
Pascal Föhn	Zurich
Result Technology AG	Mammern
Rolf Berweger	Menzingen

Geneva Chapter

OM Pharma	Meyrin
Trans Bussan S.A.	Genève
M. Ping CHEUNG	Petit-Lancy
Consultor S.A.	Genève
Mme Li TANG-Raval	Genève
Bumotec S.A.	Sâles
Granit Group	Lausanne
M. Alain DELWARTE	Chavannes-de-Bogis
Geneva Business Institute	Genève
M. Jean-Daniel CLAVEL	Caux / Montreux

The Chamber's New President

Dr. Jörg Wölle, CEO of the SiberHegner Group of Marketing & Services companies with a strong presence in China, presides the Swiss-Chinese Chamber of Commerce since our General Assembly, May 8, 2002.

Portrait

Dr. Jörg Wölle is for more than 10 years with SiberHegner, of which he spent 4 as Director in Hong Kong and China. After executive programs at the IMD in Lausanne and Stanford University in California, the engineer Wölle is today CEO and Managing Director of SiberHegner. Further, Dr. Jörg Wölle is designated CEO of DiethelmKellerSiberHegner Holding. As a regular contributor to scientific publications and widely traveled expert for Asia, he is board member of various trade associations.

Outlook

The planned merger of SiberHegner and Diethelm Keller Services Asia into the new DKSH is progressing on schedule and is due to be finalized in June 2002. The merger will create a new marketing and services Group ranking amongst the largest privately held companies in Switzerland. With more than 13,000 employees, it will cover the entire value chain, from sourcing, marketing, sales and distribution to after sales service and operate across more than 30 countries in Asia, Europe and the Americas. With regard to geographic coverage and respective core competencies, the two groups complement each other almost ideally.



The official moment of the presidents at the General Assembly of the Chamber: Jörg Wölle (l.) hands over an award to Manfred Zobl (r.).

Annual General Assembly – Geneva Chapter

A record number of Members of the Chapter for French Speaking Switzerland gathered for the Annual General Assembly 2001 in the premises of the “Office for the Promotion of Industry and Technology” in Geneva’s international Airport on April 10, 2002. After an informal luncheon, the President of the Chapter opened the Annual General Assembly 2001 in the presence of H.E. Monsieur Wu Chuanfu, Ambassador of the P.R. of China to Switzerland, Monsieur Qin Hongliang, Economic and Commercial Counsellor at the Chinese Embassy in Switzerland, Madame Catherine Kellerer, Deputy Division Head for Economic Relations with Asian and Oceanic Countries at the State Secretariat for Economic Affairs seco, and delegates from other federal, Cantonal and municipal authorities.

The activities of the Chapter for French Speaking Switzerland in the year 2001 were marked by a re-assessment of the Chapter to lay the foundations for a re-invigorated Chapter going forward into the third millennium as follows.

In early 2002, Madame Amy Li of Credit Suisse Geneva and Monsieur Dominique Perregaux of CLSA Geneva were elected to the Board. These two new, young and energetic Members have considerably re-juvenated the Board. What’s more, the Board now counts two Chinese Members which creates a cultural mix much better able to respond to the needs of situations where the Chapter is asked to bridge between cultures.

In the first half of 2001, the Board formulated its vision of a Chapter constantly focussing on its Members’ needs to assure a sustainable membership and stable financial situation. The Board also agreed on the process that would lead the Chapter in this direction and decided to make close contact with all Members by asking for their needs and requirements, and to meet personally with all those Members where the Board or a Member expressed a wish to do so. This project targeted an increased level of Quality Assurance and the outcome of this process aimed at having a clear understanding of who the Chapter’s Member are and what their needs are. And also how to maximise the perceived value of the Membership by actively putting Members into contact with each other to foster business transactions. This plan was put into action and the responses gained through questionnaires and personal meetings produced the desired output.

Members in general indicated that they maintain satisfactory direct contacts to China themselves. Those Members with less than satisfactory contacts to China made very clear statements on what services they would perceive of value towards opening up China for them, too. Some Members also expressed their requirement that the Chapter be there in extraordinary situations, to open doors otherwise closed to them beyond the reach of an individual Member. Members in general expect the Chapter to provide a platform for exchange of experiences acquired. That exchange should happen among Members themselves, in order to “not re-invent the wheel” as one Member put it. Additionally, such ex-



Dr. Daniel V. Christen, President of the Geneva Chapter

change was requested to also happen with outside experts on specific topics of current interest.

Based on this feedback, the Board has proposed to the Members to organise less events annually, but more meaningful with high calibre speakers on topics of high current interest. The first such event has already been held on the topic of China’s WTO Accession and found a record audience of 70 participants in April 2002. The next such event will be dedicated to Small and Medium Sized Industry Enterprises (SMEs) with potential and appetite for China to be held in June 2002 as a de-briefing of the Swiss Innovation Week in China. After the summer break, the Chapter will organise one event in September for the Hotel School, Hospitality and Hotel Industry. The last event in 2002 will be on Financial Markets and is scheduled for December.

The service offer of the Chapter for French Speaking Switzerland has also been redressed based on the responses gathered. Some services not desired have been eliminated. In addition, new services focussing on making contact with commercial parties in China have been added. They centre on the problematic issue of identifying addresses of contacts in China. Whereas the Initial Address Search is free of charge, there is an increasing noble content in the follow-up services that encompass “Verification of Addresses Found”, leading to the “Establishment of Contact” with an English speaking repre-

sentative of that contact in China. The highest level of value-added service currently offered by the Chapter to its Members consists issuing a "Letter of Recommendation" on the letterhead of the Chamber which has proven to increase the perception on the quality and "guanxi" of that Member with his Chinese contacts. The Chapter is able to offer these services thanks to making full use of the talented Executive Secretary in Geneva with excellent command of the Chinese language, and also due to its many international contacts and the knowledge of the competencies and capabilities of its Members as retrieved during the "Quality Assurance-project". These new services are on offer to all Members worldwide of the Swiss-Chinese Chamber of Commerce, and outside parties. Members, however, have a clear benefit as some of the services offered are free of charge to them, and all come at a reduced price compared to what Non-members are billed.

The financial statements of the Chapter for 2001 unfortunately did not yet reflect this re-invigorated and more focussed attitude: An unexpected loss due to the re-assessment of membership and some re-organisational costs had to be reported to the Members. The budget for 2002 however already reflects the hopes of the Board to have a fresh start and harvest off the seeds planted last year. The first quarter of 2002 has in any case confirmed the Board in its vision as the Chapter welcomed eleven new Members, among which one multinational company, and the proceeds of the event on "China's WTO Accession" have already compensated last year's loss.

The Board wishes to thank its Members for their trust and confidence and in the new vision, is determined to provide a perceivable increase in value of a Membership in the Chapter for French Speaking Switzerland of the Swiss-Chinese Chamber of Commerce over the years to come.

Dr. Daniel V. Christen
President Geneva Chapter

China's Accession to the WTO and its Impact on Business

On December 11 2001, the People's Republic of China joined the World Trade Organisation after more than 15 years of negotiations. As a member of WTO, China now has new international rights and obligations under various agreements. This has far reaching implications for China's integration into the world economy and it offers new opportunities for international business. Acknowledging the importance for businesses to understand what China's WTO accession means for them, the Head office in Zurich and its Geneva Chapter jointly organised and held twice in two main cities of Switzerland a seminar dedicated to the topic. The seminars attracted a total audience of over 140 participants in two days, including representatives of Chinese and Swiss authorities. This documents again the vivid interest our Members maintain in the subject.

After the opening of the seminar in Zurich by Dr. Manfred Zobl, President of the Chamber and in Geneva by Dr. Daniel V. Christen, President of the Chambers Chapter for French Speaking Switzerland, **Counsellor HUANG Rengang of the Permanent Mission of the People's Republic of China to the WTO in Geneva** first presented China's view on the WTO accession process and its implications. Some of his essential points were:

- The sheer length and complexity of China's accession process. It spanned 15½ years between July 1986 and November 2001. The whole accession process was conducted under the leadership of Ambassador Pierre-Louis Girard de seco, who in a special capacity served

as Chairman of WTO's working Party on the Accession of China" which comprised representatives from 37 different WTO Members Countries. From the Chinese side, during this long period there were four major Chief Negotiators with Vice-Minister LONG Yongtu of MOFTEC successfully accomplishing the work. There were also four Director-Generals of GATT and WTO during this time and the "output" of the huge work accomplished is over 1'000 pages of Legal Instruments.

China's accession process can be documented as follows:

Application by China to GATT	07/86
Memorandum on Trade Regime established	02/87
Working Party Established	03/87
1st Meeting of Working Party	10/87
1st Draft of Working Party Report	12/94
Report Adopted by Working Party	09/01
Report Adopted by General Council/Ministerial Conference	11/01
Membership	12/01

- Counsellor Huang made the case that the entire accession process has to be seen in synchronisation with, and was also subject to, China's Reform and Opening-up Process, and that it was affected by major political events. It thus certainly represents a special case in GATT-WTO history.
- The challenges now faced by China post-accession are to balance its rights and obligations and to preserve the



The speakers at the WTO seminar in Geneva and Zurich (f.l.t.r.): Dr. Paul Thaler and Ms. LIU Fang, Counsellor HUANG Rengang, Dr. Daniel V. Christen and Dr. Philippe Nell.

high level of trust and confidence of the international and business community in China. This is a challenge indeed, as China domestically needs to bridge effects of cultural differences as well as those of Nationalism vs. Internationalism. It is also an educative challenge as thousands of laws and regulations already have been and still will need to be amended, and enforced in the vast territory that makes China.

- The opportunities are worth the challenge however in Counsellor Huang's view: There is the strong and unwavering political will and leadership, and also growing public understanding, that China fully and permanently abide by its undertakings made before accession, and by all rules of WTO thereafter. This in fact elegantly helps the Chinese government also to streamline the regulatory framework and to initiate deregulation in many areas over a set period of time in the interest of attaining higher level political goals. This is an additional beneficial effect not unbeknownst to Switzerland in the context of the Bilateral Agreements with the European Union.

Dr. Philippe NELL, Deputy Head of seco's WTO Division, then addressed how China's accession to the WTO affects business, by explaining the intricate rules governing WTO membership of China as any other WTO Member Country. To highlight the practical implications of the WTO regulatory framework, probably one of the

most complicated matters in international trade politics for the non-initiated, Dr Nell demonstrated the possible impact of each pillar of WTO, and of each undertaking made by China pre-accession, on the Chinese market and the resulting challenges and opportunities for foreign and specially Swiss enterprises.

Followed the highlight of the day, but also the toughest part, the "Plat de resistance", for the audience: **Dr. Paul THALER, Partner and Operational Head of Wenger Vieli Belser**, Beijing together with his colleague **Ms. LIU Fang, Senior Associate of Wenger Vieli Belser**, during a full two hours listed sector by sector and law by law the impact and practical "Do's and Don'ts" in the Service Industry, Trade, Manufacturing and High Technology Industry. Ms. LIU also detailed the shifts in the latest Investment Catalogue of China. The participants appreciated the coffee break to digest the heavy and complex fare, delivered by Wenger Vieli Belser in an as practical, participant-focussed and applied mode possible.

Dr. Daniel V. CHRISTEN, in his capacity as **Vice President Marketing of SGS Société Générale de Surveillance SA**, then wrapped-up the seminar by adopting a different angle of view. The Swiss private sector had actively participated in the accession negotiations both on

(continued on next page)

the bilateral and at a minor degree on the multilateral level. What are the experiences and results of this public-private partnership?

- The private sector ideally involves itself at different stages, but from very early on. The formation of the Working Party is the first opportunity as only those governments who have an active agenda towards a candidate Member Country, often established by listening to the private sector, will elect to be represented in this body. At each Draft version, the private sector can give input to its government. Towards the end of the accession process, the negotiations are elevated to the multilateral level and only private sector requests judged of relevance to a coalition of countries will have a chance to be retained. It is therefore imperative for Swiss private enterprises wishing to involve themselves in the accession process of any WTO Member candidate, to define its desiderata early on, and to make themselves known and heard to seco. It is helpful for seco to have direct access to a main interlocutor at that company who also has to stay in touch both in-house and with the negotiators at seco. To define its desiderata, Swiss private enterprises involving themselves have to investigate problems and come up with practical examples and expertise. This means that such a Swiss company must command sufficient resources in both Switzerland and abroad. It is therefore fair to deduct that multinational companies can do this directly, but that SMEs are better advised to go jointly and therefore indirectly through industry associations and Chambers of Commerce such as ours.

- What are the results of the WTO accession process of China in a nutshell? On the multilateral level, trade in goods is fully subject to most-favoured-nation tariffs and China has undertaken to phase-in 977 tariffs on agricultural products at an average duty rate of 15%, and 6'181 non-agricultural products at an average duty rate of 8.9%. In non-tariff concessions, China will phase-out the system of import licenses, quotas, tenders and other non-conform Technical Barriers to Trade and has to limit its subsidies to the agricultural sector to max. 8.5% of the total value of the primary production, a heavy price for China that today still is a vast agricultural country and society. There is also full commitment to adhere to the agreements on intellectual property rights (TRIPS) and trade related investment measures (TRIMS). On services, there is a multitude of horizontal and sector-specific commitments, too. All these results of course fully apply to Switzerland and her enterprises doing business with and in China. Additionally, the Swiss negotiators, led by the Chief Negotiator Ambassador Luzius Wasescha of seco, paid special attention to areas such as import duties on watches, insurance, banking and inspection services, plus tourism and travel.

Very lively panels with many direct questions and open answers concluded the formal part of the seminars. The animated discussion then continued during informal cocktails, sponsored in Geneva and Zurich by SGS Société Générale de Surveillance SA.

Many Challenges in the Year of the Horse

Premier Zhu Rongji's summary of the country's policy agenda for 2002 delivered to the National-People's Congress in early March was more conservative in tone than in recent years. Such a cautious approach would seem understandable for a country that has managed to keep its economy growing through the Asian financial crisis and the world-wide economic slowdown. The main message was that China would use state funds to ensure social stability by boosting the economy with a US\$ 18 billion fiscal stimulus package, ensuring that laid-off workers and pensioners receive their benefits. The cost of maintaining social stability is therefore set to rise.

The finance minister forecast that the budget shortfall this year would grow 19% to US\$ 37 billion, which is still only about 3% of GDP. Spending would rise more than 10% to 1.37 trillion yuan. The minister also announced an increase of 17.6% in the military budget.

The increased spending signals China's determination to keep social pressures from boiling into unrest during a sensitive year in which Beijing is to choose a new set

of national leaders. The premier, Jiang Zemin, the president, and Li Peng, chairman of the NPC, are all due to vacate their main posts.

China's leaders might argue that a stringent timetable for reform, including deep tariff cuts, is built into the economic landscape in any case by China's entry into the WTO. Premier Zhu did reaffirm the need to deepen the reform of state-owned enterprises and restructure them to form a number of large companies and enterprise groups that are internationally competitive. Beijing is currently engaged in directing mergers in the airline, telecommunications and power industries.

The Minister of the State Development Planning Commission expects a GDP growth of 7%, slightly lower than the actual 7.3% in 2001. He plans to create 8 million more jobs this year. On foreign investment he pledges to further improve the investment environment for overseas companies.

Summary by Paul Wyss

First Quarter Results

- GDP up 7.6%
- Exports up 9.9%, Imports up 5.2%
- FDI up 27.5%
- Fixed asset investment up 19.6%
- Government expenditure up 23.9%
- Retail sales up 8.4%, CPI down 0.8%, Household savings up to RMB 7.9 trillion

China's economy posts growth of 7.6%, but concerns remain. China's economy grew 7.6% (GDP) to RMB 210.2 trillion in the first quarter, thanks to strong growth in exports and heavy government spending. Exports climbed 9.9% to RMB 534 billion, the high rate masking an abrupt slowdown in March, to 3.4% year-to-year. Imports grew 5.2% to RMB 474 billion. With reference to the uncertain world economic development after September 11, Moftec vice-minister Zhou Keren cautioned against optimism and forecast a conservative zero growth for China's exports this year.

China's foreign direct investment in the first quarter of this year increased by 27.5% from the same period last year to USD 10.1 billion. In the same period, investment commitments or "contracted FDI" reached USD 17.9 billion, rising 11.4%.

Fixed asset investment rose by 19.6% to RMB 467.2

billion, with spending on infrastructure projects up 20.6% and on property up 36.2%.

Government spending rose 23.9% year-on-year to RMB 351 billion while revenue grew just 3.4% to RMB 380.78 billion. Finance Minister Xiang Huaicheng said the country's fiscal system was troubled and its growth remained dependent on deficit spending. "No country, and no finance minister, can carry out a proactive fiscal policy over the long term and not have some problems emerge." His comments indicate a fierce spending-policy debate in the Government. Figures published by the central bank gave further ammunition to those who argue the spending policy is not working. At the end of last month individual bank deposits rose RMB 505.1 billion from a year earlier to RMB 7.9 trillion, a 15.2% increase from a year earlier, while consumer loans rose only RMB 48 billion.

While savings rose, overall money supply growth accelerated. M2 was 14.4% higher at the end of March than a year earlier, topping the central bank's 13% to 14% growth target for 2002. M1 increased 10.1%, and M0 gained 8.2%. Forex reserves were up 29% year-on-year.

Meanwhile, China's State Statistic Bureau affirmed the government's inflation forecast for 2002 of between 1% and 2%. China's consumer price index (CPI) fell 0.8% on the year in March. Retail sales during the quarter were RMB 1.004 trillion, an increase of 8.4% over the same period last year, when growth was 10.3%. Analyst said negative CPI was not a major cause for concern, but declining retail sales growth was. Consumer demand accounts for about 60% of GDP growth.

*Summary Business Briefing China
(various sources)*

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formerly General Counsel of international Swiss high-tech company
member of Legal Chapter of Swiss-Chinese Chamber of Commerce
member of LES Switzerland

Rosenstrasse 19, 8700 Küsnacht, Switzerland

Tel. +41 1 911 07 66

Fax +41 1 910 30 38

e-mail: harald.siegrist@attglobal.net

Bilateral Trade between Switzerland and China

January – December 2001 (in Mio. CHF)

CHINA (mainland)

	Exports from CH	change %	share %	Imports to CH	change %	share %
Total	1.668,2	18,9	100,0	2.257,7	-1,9	100,0
Agricultural Products	9,1	-11,4	0,5	108,9	-10,6	4,8
Energy carriers	0,1	-12,5	0,0	0,3	37,2	0,0
Textiles, apparel, shoes	24,3	-14,4	1,5	693,9	-9,2	30,7
Paper, paper products, printed matter	5,0	5,5	0,3	10,3	-0,6	0,5
Leather, rubber, plastics	17,1	48,0	1,0	140,2	-1,1	6,2
Chemicals, pharmaceuticals	313,2	-6,6	18,8	250,5	8,4	11,1
Construction materials, ceramics, glass	6,9	-1,9	0,4	20,4	-6,4	0,9
Metals and metal products	59,0	32,9	3,5	99,5	2,2	4,4
Machinery, apparatus, electronics	1.054,9	29,1	63,2	414,8	3,9	18,4
Vehicles	26,5	86,5	1,6	24,3	55,9	1,1
Precision instruments	102,1	56,4	6,1	64,8	32,3	2,9
Watches	36,0	-20,0	2,2	179,4	8,1	7,9
Other Goods	13,9	-26,5	0,8	250,2	-11,2	11,1
Total Trade	3.925,9					
Trade Balance	-589,5					

Hong Kong

	Exports from CH	change %	share %	Imports to CH	change %	share %
Total	4.039,3	5,1	100,0	679,3	-24,1	100,0
Agricultural Products	32,9	7,6	0,8	3,2	16,1	0,5
Energy carriers	3,4	-60,3	0,1	0,0	-100,0	0,0
Textiles, apparel, shoes	82,8	47,4	2,0	64,4	-22,3	9,5
Paper, paper products, printed matter	11,3	-46,3	0,3	2,7	12,3	0,4
Leather, rubber, plastics	55,1	-8,9	1,4	5,1	-3,4	0,8
Chemicals, pharmaceuticals	419,7	1,9	10,4	4,7	16,4	0,7
Construction materials, ceramics, glass	17,2	7,9	0,4	1,1	-35,9	0,2
Metals and metal products	59,8	1,9	1,5	11,6	21,1	1,7
Machinery, apparatus, electronics	363,1	-0,7	9,0	79,0	-21,8	11,6
Vehicles	1,3	-16,8	0,0	0,5	60,2	0,1
Precision instruments	74,2	14,8	1,8	13,6	-15,4	2,0
Watches	1.508,1	6,0	37,3	304,5	-11,8	44,8
Other Goods	1.410,4	6,6	34,9	189,0	-41,5	27,8
Total Trade	4.718,6					
Trade Balance	3.360,0					

Total (China incl. Hong Kong)	5.707,5	2.937,0
Total Trade	8.644,5	
Total Trade Balance	2.770,5	

Source: Swiss Embassy, Beijing

Recent Foreign Investments / Joint Ventures

USA

KODAK is to form a joint venture with Shanghai Seagull Camera Co to make digital cameras. Kodak is to have 80% of the shares and will be responsible for product design, technology and management. Seagull will assist in production and in helping to develop the domestic market for the camera.

NEW YORK LIFE INSURANCE CO and Haier Group, China's largest electrical appliances maker, formed a venture to sell insurance as China opens its US\$ 15 billion insurance market wider to foreign firms under the WTO terms. For New York Life, the venture is its first entry into a market that has been growing by almost a fifth in each of the last three years. Initial investment will be US\$ 24.2 million, with each partner holding 50%.

MASSACHUSETTS PORT AUTHORITY and China Ocean Shipping Company (COSCO) signed a terminal services agreement to bring COSCO ships to the Port of Boston by providing a weekly direct service. The agreement will make Boston a new port-of-call for COSCO.

AMERICAN EXPRESS and China International Travel Service Corp. (CITS) established CITS American Express Travel Services Ltd., with CITS holding a 51% stake. The joint venture will provide business travel management services to clients from multinational companies, large-scale mainland enterprises and companies in Hong Kong, Macao and Taiwan.

HERTZ is the first global car rental company to operate in China by opening locations in Beijing, Shanghai and Guangzhou. China National Automobile Anhua International Trade Co. will act as licensee in China. Hertz will have rental locations at airports and downtown areas in the three cities. The rental fleet will have a full range of domestic, imported and joint venture vehicles.

HILTON HOTEL GROUP and Air China entered into a global partnership allowing members of the Air China Frequent Flyer programme to earn an Air China reward flight if they stay at Hilton hotels in China and across the world. Hilton has hotels in Beijing, Shanghai, Nanjing, Dalian and Chongqing and plans to build more in coming years.

KODAK and Bank of China signed a deal to finance Kodak's franchisees. The bank will provide a US\$ 12 million for Kodak franchisees. The bank will offer loans to potential imaging business investors recommended by Kodak for their purchases of colour film developing equipment. The service will be gradually provided nationwide through the banks more than 10,000 outlets.

ORACLE, the software maker, announced it would open its first development centre in Shenzhen to target exclusively the needs of the fast-growing Chinese mar-

ket. The centre is expected to employ 100 people within six months of operation.

MCDONALD'S plans to open an outlet in Capital International Airport Beijing which could open late this year. The airport receives a total of 21 million passengers annually, who have frequently complained about overpriced food at airport restaurants. The arrival of McDonald's will increase competition.

INTERNATIONAL FINANCE CORPORATION (IFC), the World Bank's private financial arm, struck a deal with two other overseas financial companies to launch a joint venture to develop the infant housing financing business in China. IFC will take 24.5% of the total stocks. The controlling 51% stake will be in the hands of Advantage Services Holding Ltd, a Hong Kong-based mortgage service provider, while the remaining 24.5% go to the Netherlands Development Finance Company.

GENERAL ELECTRIC is planning to set up a global research and development centre in Shanghai's Zhangjiang High Tech Park. An agreement was signed between GE(China) R&D Centre Co. Ltd and Zhangjiang High Tech Park Development Corp. GE secured 47,000 square metres of land for the first phase construction. Scheduled to open in 2003, the facility will employ 400 research staff.

GENERAL ELECTRIC PLASTICS signed an agreement to purchase all the shares of Zhongshan Plastech Sunsheet, a polycarbonate manufacturer. The new company will be named GE Plastech Sunsheet (Zhongshan).

AGILENT TECHNOLOGIES, a spin-off from Hewlett Packard in 1999, and Shanghai Precision and Scientific Instruments Ltd. opened their joint venture Agilent Technologies Shanghai Ltd. in the Waigaoqiao Free Trade Zone. The factory will focus on chemical analysis equipment, application software and services for China and worldwide markets. 80% of the products will be exported.

DOW JONES announced its cooperation with Xinhua online as its formal gateway into China's media market. The cooperation aims to provide Dow Jones financial information in Chinese language for domestic media and government departments.

HONG KONG

HSBC, Hong Kong's largest bank, will take a minority stake of 8% in Bank of Shanghai, making it the first

(continued on next page)

foreign commercial bank to buy into a mainland Chinese bank HSBC, founded in 1865 in Hong Kong and Shanghai, will pay US\$ 62.6 million for the stake. Bank of Shanghai, with assets of US\$ 11.5 billion, has a loan book relatively free of bad debts, which makes it an attractive partner.

BANK OF EAST ASIA, Hong Kong's third-largest bank, is seeking a stake in a mainland bank. About 6% of Bank of East Asia's loan portfolio is China-related, the majority in the form of mortgages provided to Hong Kong residents buying mainland property. Under WTO, China has committed to opening up its banking sector to foreign competitors over five years.

BANK OF CHINA will pay an undisclosed sum for Hutchison CSFB direct, an online brokerage joint venture between Hutchison Whampoa and Credit Suisse.

HONGKONG AND SHANGHAI BANKING CORP. (HSBC) started its Shanghai data processing centre to handle the group's data entry and account maintenance. The Shanghai centre will be processing work for the entire group. It will have about 550 staff members.

NEW WORLD, Hong Kong property giant, started to promote its real estate projects in Haikou, capital of Hainan province. Haikou New World Garden is designed to be a high-grade living area. The company's property in the mainland comprises 41 major projects with a total of 19 million square metres.

TAIWAN

CHANG HWA BANK and **UNITED WORLD CHINESE COMMERCIAL BANK** have been given permission to open offices in China. They will be the first Taiwan banks to enter the mainland. United World will open a representative office in Shanghai. Chang Hwa will open in Kunshan. In return, Taiwan may allow mainland banks to open offices in Taipei.

SOUTH KOREA

HYUNDAI MOTORS will invest US\$ 250 million into a 50:50 joint venture factory with Beijing Automotive Industry. The factory is expected to produce 200,000 vehicles per year by 2005. Hyundai is the latest South Korean manufacturer to build a plant in China.

SINGAPORE

A SINGAPORE PUBLIC TRANSPORT CORP. is setting up Beijing's first Sino-foreign taxi company with Beijing Jinjian Taxi Company. Total investment in the venture is estimated at US\$ 29.76 million. About 3,300 taxis will operate during the initial period. Beijing will cut the number of taxis from the present 67,000 to 60,000 to rectify order in the sector and alleviate the pressure on the environment.

JAPAN

SANYO ELECTRIC CO and Haier signed a wide-ranging tie-up agreement to market consumer electronic products in both countries. Under the agreement, Sanyo's products will be sold in China through Haier's sales network under Sanyo and Haier brand names, while sales of Haier products in Japan will be promoted by a joint venture to be set up by the two companies.

NEC CORP. will shift production of personal computers for Japan users to China from spring to cut costs. 70% of PCs sold in Japan will be manufactured and assembled in China. NEC already makes parts in China, but up to now most of the assembly was done in domestic factories.

NISSAN MOTOR has increased its stake in the truck making joint venture with Zhengzhou Nissan Automobile from 5% to 30%. Nissan is also exploring the broadening of its passenger car alliance with the company. Sales of new vehicles in China in 2001 reached about 2.3 million, whereof 1.6 million commercial vehicles. The market for passenger cars is expected to grow rapidly.

TOSHIBA and **SUMITOMO** purchased stakes in the TCL Group, one of China's leading consumer electronics companies. The deal involves the sale of small but symbolic stakes as part of a new wave of direct investment and licensing tie-ups between the two countries.

INDIA

SATYAM COMPUTER SERVICE LTD, leading software exporter, became the first Indian software company to establish operations in China. The company will establish a software development centre in cooperation with Shanghai Pudong Software Park.

AUSTRALIA

MACQUARIE BANK, Sydney-based investment group, has entered China's booming private housing market in a joint venture with Paul Keating, former Australian prime minister. The venture will advise China Construction Bank, the largest Chinese provider of private housing loans, on how to process mortgages and register titles. The initial venture will be limited to Shanghai, where three quarters of houses are privately owned.

GREAT BRITAIN

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.

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BRITISH PETROLEUM (BP) and Sinopec, China's largest gasoline retailer, enter the first joint venture allowing a foreign company into the retail market for gasoline and diesel fuel. It will set up 500 petrol stations in Zhejiang province. Talks on similar ventures are being conducted with Shell for Jiangsu province and with Exxon-Mobil for Fujian province. Sinopex will take a controlling 60% stake.

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.

MANGANESE BRONZE, manufacturer of London's famous black taxi, and Brilliance China Automotives, have signed a 20 year licensing agreement under which the British vehicle will be produced at China Brilliance's Shenyang plant. The deal will represent the first overseas assembly for the black taxi. It was hatched after Yang Rong, chairman of Brilliance, became impressed with the taxis during a visit to London. It is the second linking of Brilliance with the UK automotive industry.

MG ROVER will form a partnership with Brilliance China Automotives. The deal makes sense for both partners. MG Rover has been looking for a partner to create economies of scale. For Brilliance a small car range adapted to Chinese needs will reduce the cost of entering the market. The China Brilliance Group is listed on the New York Stock Exchange since 1992.

TESCO, the UK's largest supermarket operator, is looking for a partner in China.

GERMANY

BERTELSMANN, the German media conglomerate, is in talks to establish a 50:50 joint venture in Shanghai with the state-owned Shanghai Packaging Group and the Shanghai Printing Group. Bertelsmann's initial investment in a printing plant will be US\$ 29 mio. The company will provide printing services for books, magazines, newspapers and packaging materials businesses.

GERMAN DEVELOPMENT BANK signed an agreement with the Chinese Ministry of Finance, providing US\$ 11.11 million of grants to support a solar energy project in the Xinjiang Uygur Autonomous Region

(continued on next page)

and an offshore station project in Gansu province. So far the German bank provided US\$ 2.8 billion of loans and grants to China.

BAUSPARKASSE SCHWAEBISCH HALL and China Construction Bank reached an agreement to establish a joint venture bank in Tianjin in which the Chinese partner will hold a majority. The joint venture will be mainly engaged in the mortgage business.

PEOPLE'S BANK OF CHINA (PBOC) will open a representative office in Frankfurt, where the European Central Bank is headquartered. Moving closer to the EU market will help gathering information and proper decision making in structuring foreign exchange reserves.

BERTELSMANN, German publishing group, is in advanced talks to set up China's first publishing joint venture to publish scientific and technological books. The company has won special government approval to set up a venture, despite the absence of laws allowing such deals.

METRO GROUP, the world's third largest retail chain, signed an agreement with the Tianjin municipal government to invest US\$ 15 million to set up chain stores in the municipality's Hongqiao district. Metro will purchase more goods from Tianjin and other key cities for its stores in China and around the world.

SIEMENS, which has established more than 40 joint ventures and 26 regional offices in China, starts another joint venture with Shenzhen Mindit Instruments Co. Ltd to produce Magnetic Resonance Imaging (MRI) systems. The venture, named Siemens Mindit Magnetic Resonance Ltd, will change the current situation where Chinese hospitals had to import MRI at high cost.

MUNICH RE was granted a licence to operate in China, becoming the first foreign company allowed to operate in the reinsurance business. The announcement was made to Munich Re on the occasion of President Jiang Zemin's visit to Germany.

AUDI, the luxury arm of Volkswagen, in 2001 sold 29.370 units including locally made cars and imports, an increase of 69% from 2000. China is Audi's second largest overseas market after the United States.

FRANCE

LAFARGE, world's largest building material producer, and China Building Materials Tangshan Corp. jointly established Lafarge Dujiangyan cement venture, Lafarge's most important project in China with an annual capacity of 1.4 million tons of cement. The plant will be equipped with the most advanced technology, fuel and electricity efficiency.

ACCOR, international French hotel operator, and Jinjiang Group, a local hotel giant, agreed to jointly expand their business in Shanghai. The two groups have set up a joint venture responsible for marketing and distribution.

The joint venture will establish three marketing and distribution centers in Shanghai, Guangzhou and Beijing, involving 53 Jinjiang hotels and 15 Accor hotels throughout China.

BNP PARISBAS will establish a joint venture securities firm. The venture will provide comprehensive banking services including stock underwriting, initial public offerings, financial consulting, mergers and acquisitions services to both Chinese and overseas firms. Changjiang will hold a two-thirds stake and BNP the remaining third.

ALSTOM SHANGHAI POWER AUTOMATION COMPANY went into production in the Pudong industrial zone to manufacture power automation products. The joint venture involves an investment of US\$10 million, with Alstom holding 59%.

ALCATEL joined forces with a Chinese venture capital fund, New Margin Ventures, to invest in telecoms engineering. The company expects to spend around 15% of its world-wide R&D budget in Shanghai.

ITALY

GENERALI, the insurance group, announced that it would begin operating in a partnership with China National Petroleum Corporation (CNPC). The joint venture, to be called Generali China Life Insurance Company, will be controlled in equal parts by Generali and CNPC. Headquarters will be in Guangzhou and the group will begin operations shortly.

ASIA SRL a newly established Italian ice cream company, is to open two ice cream shops in Shanghai. The owners have also set up the Montebianco Food Co, which will open an ice-cream production plant outside Shanghai. The aim is to set up a network of shops selling Italian delicacies.

SWITZERLAND

UBS WARBURG will cooperate with China Development Bank (CDB) to manage and dispose of US\$ 4.8 billion worth of debt-for-equity shares the Chinese bank holds. It is the first time for a State-owned bank to hook up with a foreign investment bank to manage such a large volume of government assets.

Summary by Paul Wyss

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In Brief

- A new 75.000 sq m terminal has opened at Chengdu airport, four times the size of the previous terminal and making Chengdu the fourth largest airport in China after Beijing, Shanghai and Guangzhou.
- Chi Tai Square, believed to be Asia's biggest shopping mall, opened during the APEC meeting in October. The mall, which cost US\$ 35 million, covers an area of 240.000 sq m in the Lujiazui financial district. The mall is financed by Thai money.
- Foreign travel agencies will be allowed to control stakes in joint-venture companies from January 1, 2003, and wholly-owned companies by the end of 2005. Foreign investors must be travel services or companies engaged in tourism and be members of their country's tourism association.
- China's four asset management companies – Huarong Asset Management Co, China Cinda Asset Management Co., China Orient Asset Management Corp., 2001China Great Wall Asset Management Corp. – sold about US\$ 15 billion of bad loans in 2201, about 9% of their holdings.
- China's financial system is awash in debt, though no one really knows how much. The Government says non-performing loans held by banks amount to a total of US\$ 218 billion, or 27% of total bank lending. But most private analysts believe the true figure to be at least double that amount.
- China plans to allow its big four state banks to issue long-term bonds and seek stock market listings to strengthen themselves against competition from smaller Chinese banks and an increasing number of foreign entrants. Permission for the big four – the Bank of China, Bank of Construction, Industrial and Commercial Bank of China and the Agricultural Bank – to issue long-term bonds will help them boost their capital adequacy ratios.
- Dupont won a major patent lawsuit forcing a Beijing pesticide company to pay for its infringement. The Beijing No.1 Intermediate People's Court ordered Beijing Zhongnong Farm Chemicals Company to issue a public apology and pay US\$ 54.220 to Dupont to compensate for the company's losses. Dupont sued Zhongnong Farm in October 1999 on grounds it was selling its patented pesticide in Shaanxi, Shandong and Henan provinces.
- Air China may seek a strategic investor and start selling shares abroad after completing mergers with China Southwest Airlines and China National Aviation Corp. Air China may try to attract investment from one of its international rivals to help bolster confidence in the share offering. Air China is one of the three airlines slated by the central government to take over seven other state-owned carriers.

(continued on next page)

- As part of the Beijing Organizing Committee of the Olympic Games, a special supervision committee will clamp down on corruption, keeping a close eye on preparatory work, fundraising and Olympic venue instructions. Every part of the build-up programme undergoes public bids and a regular audit will be carried out every half year.
- China needs to create at least 8 million new jobs this year, a task made more onerous by slowing domestic growth and anticipated competition from foreign firms following accession to WTO. It is estimated that a domestic product growth of at least 7% is required to create the millions of urban jobs that China's workforce needs every year. In addition to urban unemployed, there are an estimated 150 million jobless peasants who migrate to cities in search of work.
- LUFTHANSA will launch five non-stop weekly flights between Shanghai and Munich this Spring. These new services will make Lufthansa the first and only European airline to provide 2 weekly non-stop flights from Shanghai to Germany.
- According to a recent announcement by the Yangtze Three Gorges Project Co. the nine-year construction has so far cost a total of US\$ 8.4 billion. The world's largest hydropower project started in 1993 and will be completed by 2009. The final cost is estimated to reach US\$ 24.6 billion.
- Shanghai Oriental-Pearl TV Tower, the world's third tallest building, received a record 3 million tourists in 2001. The 486-metre high tower on the banks of the Huangpu River has received 16 million visitors since it opened six years ago, equivalent to the whole population of Shanghai. On one of its busiest days in 2001, it was visited by a record 30.000 sightseers.
- The number of international students studying in the United States has doubled in the past two decades to 547.876 in 2001. China leads the world in the export of students to the U.S. sending 59.939 in 2001, followed by Italy, Japan and Korea.
- China will continue to welcome foreign students to help enhance education exchanges and cooperation. In 2001 China received a record 52.000 foreign students. From 1950 to 2000, the country received a total of 407.000 students from 160 countries.
- The first Chinese bank to employ a foreign expert as a senior advisor is China Minsheng Banking Corp., one of the country's largest non-State-owned commercial banks. Mr. Macy, a former PriceWaterhouse-Coopers partner, became a senior advisor to CMBS' chairman, the highest position a Chinese bank has offered to a foreign expert in the drive to introduce foreign talent.
- The Chinese Medical Doctors Association was founded in Beijing, signalling a profound change in the administrative system for professional physicians. China's old system of supervising doctors in State-owned hospitals has become obsolete. The Association's tasks include helping the Government to build a system to approve doctors' qualifications and designing professional training programmes.
- A growing number of Chinese are buying their own cars after having bought their own homes, and the price of cars has fallen in the wake of the entry into WTO. According to a survey of 22.000 people in 57 cities, 12% plan to buy private cars this year, and 29% said they would buy cars with bank loans.
- The Chinese Government is confident that the 2010 World Expo will be a great success if the country wins the bid to hold the prestigious event. It would be the first time for the fair to be held in a developing country. China expects to welcome 70 million overseas tourists and 2 billion domestic visitors in 2010. If the Expo is held in Shanghai it will last from May 1 to October 31, 2010.
- Beijing will open bids for the 2008 Olympic games and foreign companies are invited to compete. Projects in preparation include the renovation of 14 existing sports venues, the development of the Olympic parc as well as other facilities expected to bring billions of dollars to global investors.
- China's tea industry will benefit from tariff cuts in foreign countries resulting from China's WTO entry. China is the world's biggest exporter of green tea. Foreign tariffs have been slashed to 3,8% in developed countries, and 14% in developing countries. China also cut its tariffs on tea imports from formerly 80–100% to 24%.
- China will allow foreign companies to enter into joint ventures in the domestic railway cargo market from this year to 2003 as a first step towards opening the business. Chinese firms will hold a majority stake during this initial period. Foreign companies will be allowed to hold a majority of shares from 2004–2006. After 2006 all restrictions will be lifted.
- The Shenzhen Airport group started a new air freight route linking Shenzhen, one of the main five special economic zones, to Taiwan. The new flights are the only ones carrying freight from the mainland to Taiwan. There will be two flights daily via Macao.
- China and India are connected by air for the first time as China Eastern Airlines started flights from Beijing to New Delhi. Another route linking Shanghai and New Delhi was opened recently. Weekly flights from Beijing will leave on Mondays, those from Shanghai on Wednesdays.
- Construction of the 30 kilometre long magnetic levitation train in Pudong is running on time and is scheduled to be put into trial operation by the end of this year. The maglev line will cost US\$ 1.08 billion.
- According to an agreement signed as Chinese President Jiang Zemin visited Germany, the two countries will acknowledge each other's bachelor's, master's and doctor's degrees.

- Cracks have appeared since winter in China's Three Gorges Dam with a crest elevation of 185 metres and a length of 2.309 metres. The cracks have been attributed to the poor quality of concrete placement and to drastic temperature changes.
- China has become Switzerland's second largest source of tourists from Asia after Japan, as tourists from the mainland surged 15% in 2001 to hit nearly 100.000.
- Traffic accidents made up 81.5% of all deaths caused by accidents in China last year. A total of 106.367 people died in 760.327 traffic accidents. There was a total of 1 million accidents which claimed 130.000 deaths nationwide. Workplace accidents were a big concern, especially in small companies with no strict guidelines.
- Shanghai is the first Chinese city to adopt a geographic information system (GIS) monitoring the up-to-date situation of 4.820 roads and 1.564 bridges. Shanghai currently has 3.674 kilometres of roads and 1.5 million square metres of bridges in use and more are under construction.
- The car industry is predicted to be one of the hardest hit sectors following China's WTO entry. Profits will be squeezed by rising imports and fierce price battles among local automakers. There will be a shake-up in the auto industry and many less competitive companies will disappear or be merged into bigger manufacturers.
- Since China's reform policies started in 1978, about 400.000 people have gone abroad to study. About a third have returned home to build their careers. Now, the Chinese government will make renewed efforts to create a favourable environment for Chinese overseas expert. Twelve ministries are working on a directory of industries that urgently need overseas professionals.

Summary by Paul Wyss

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✉ Kirchstrasse 42 / CH-8807 Freienbach
☎ +41-55-410 65 68 ☎ +41-55-410 54 58
Homepage: www.t-link.ch

China: Economic Report

Spring 2002

- The Chinese economy successfully resisted the slow-down in the world economy during the past year. Despite the lack of activity in the second half GDP reached a new record level of RMB 9,593.3 billion, representing growth of 7.3%. The major reasons for this success were domestic demand encouraged by the government and sustained high exports. Direct investment from abroad clearly increased. Private consumption however continued to be restrained.
- The outlook for the current year is not yet clear. Despite the odd show of concern about growing debt the government is continuing to finance growth by debt and has set a cautious growth target of 7.0%.
- The successful entry into the WTO in December was a decisive step in the process of reform and the opening-up of China. It has already awakened growing interest in foreign investors and in the medium term at the latest it should generally improve the general conditions for foreign firms and private Chinese companies.
- The Chinese government is in a continual dilemma between the pressure to reform the state owned businesses extensively and the fear of destabilising a system by creating a growing number of unemployed.
- Exports from Switzerland to China have grown by 18.9% to CHF 1.67 billion. Imports on the other hand have declined by 1.9% to CHF 2.23 billion. Our trade deficit is still running at CHF 589 million.
- Modern industry's need for technology and the increasing demands of a newly created middle class create favourable conditions for further successes in the Swiss export drive. Membership of the WTO will make trade with goods and services easier.
- Most Swiss firms in China consider business prospects as favourable and want to expand their business in China.
- On 18 March 2002 the Swiss Business Hub China was opened in Beijing.

Economic Situation

General

China can look back on an excellent year¹. Membership of the WTO, the decision of the International Olympic Committee for "Beijing 2008", the national football team's qualification for the World Cup Finals in 2002 and the Apec summit in Shanghai have brought China back into the global lime light and sustained heightened national self awareness. These successes, euphorically celebrated all-round illustrate the continuing process of opening up the country and have awakened new interest in foreign investors.

To this picture of success should be added a seamless **growth in the economy of 7.3%**, with which China compared to the USA, Europe and above all the rest of Asia is profiled as an outstandingly dynamic economic area². Even in the last year exports and particularly investment in state financed capital projects have provided a decisive boost to growth. Chinese exports are overwhelmingly products in low tech processing industries, which explains why the export economy has not been as strongly affected by the crisis in the New Economy and by the recession in the economy in the industrial countries. In the general euphoria created by the WTO membership, and also as a result of the lesser attraction of other markets in the region, direct foreign investment has markedly increased in the last year (14.9% to USD 46.8 billion). In total, investment in capital projects has grown by 12.1% to RMB 3.7 thousand billion (USD 445 billion). Private consumption on the other hand has remained stable. The package of government measures to stimulate consumer demand ("holiday economics"³, salary increases for officials, taxation of income from savings, privatisation of the residential property market, reduction in interest rates etc.) has produced little effect so far. Meanwhile savings in the last year have increased clearly again, as many people are worried about their jobs and are not insured against accidents and illness, have no

Essential Economic Data

	2000	2001	2002
Real GDP (USD billion)	1080,0	1172,0	1274,0
GDP per capita (USD)	855,0	921,0	994,0
Real GDP growth (%)	8,0	7,5	7,1
CPI inflation (%)	0,4	1,0	1,5
Unemployment rate (%)	3,1	n.a.	
Fiscal balance (% of GDP)	-3,6	-3,2	
Current account balance (% du PIB)	1,9	1,1	
Total External Debt (% du PIB)	13,5	12,6	
Debt-service ratio (% of exports)	5,0	4,1	

Source: IMF

China: Structure of the Economy

	1995	1999	Variation
Distribution of GDP (%)			
Primary Sector	20,5%	17,7%	-2,8%
Secondary Sector	48,8%	49,3%	0,5%
Tertiary Sector	30,7%	33,0%	2,3%
(of which state sector)	n/a	n/a	n/a
	1995	2000	Variation
Distribution of Labor			
Primary Sector	52,2%	50,0%	-2,2%
Secondary Sector	23,0%	22,5%	-0,5%
Tertiary Sector	24,8%	27,5%	2,7%
(of which state sector)	n/a	n/a	n/a

Source: National Bureau of Statistics

provision for retirement pensions and have to pay for their housing and education of their children (or child).

Lack of consumer spending and continuous over-production have further increased the prevalent **deflationary trends**. Over the whole of last year the consumer price index (CPI) rose by 0.7%. In the last three months (Nov 01, Dec 01, Jan 02) however it has decreased sharply. At the end of January 2002 M2 **money supply** amounted to RMB 15.97 thousand billion (13.1% compared to January 2001), M1 to RMB 6.06 thousand billion (9.5%) and M0 to RMB 1.67 thousand billion (-1.7%). The total of all existing loans amounted to RMB 11.3 thousand billion (10.9%) and the total of all deposits RMB 14.34 thousand billion (12.6%), of which RMB 7.5 thousand billion went to savings accounts. For the current year the Central Bank is attempting to expand M1 and M2 by 13%.

Despite a small surplus in the trade balance of payments China's currency reserves increased further and are now over USD 217.4 billion (at 31.01.2002). Foreign debt amounts to some USD 170 billion, of which USD 57.53 billion went to short term debts (at June 2001)⁴. Despite a sharply increased income tax (13% to RMB 1517 billion) the domestic deficit last year amounted to a new record (2.7% of GDP⁵) at around RMB 260 billion. The total **government debt** amounted to RMB 1,561 billion (16.3% of GDP) at the end of 2001. For the current year the budget has provided for a further increase in the deficit to RMB 310 billion (19%). Independent experts assume that the actual deficit will double or triple as it has risen so much. The same goes for the rapidly increasing state debt. Even the governor of the Central Bank acknowledges that the debt running at 60% of GDP, adds to the bad debts of the state bank, the indebtedness of local government and the costs of reforming the social security system. Experts estimate the amount of debt at as much as 100% of GDP. In view of the continuous private consumption and the threatened weakening position of exports the government has no alternative. It must try to contain growth at the critical level of 7% by state financed infrastructure projects⁶. It believes that it will only be able to keep the employment

problem under control at this figure⁷. Therefore it is all the more regrettable that such projects are often invested in prestige rather than in lasting use and that when being built most of the funds are continually squandered and misappropriated.

The year was marked by historical highest values in the Chinese **equities markets** in the summer and finally by a massive fall in prices caused by a series of scandals as well as the efforts of the supervisory authorities of the markets (CSRC), to eliminate the worst manipulation in this extremely speculative market. A plan announced in June to sell a small portion of shares held by the state (approximately 70% of all shares issued in China are owned by the state) had to be suspended in October after prices fell by some 30% within three months. Against all the hopes of the Chinese government the equities markets have proved that they are not a miracle cure for all kinds of macro and micro economic weaknesses. Nevertheless the reforms are continuing. Since last year the Chinese have been allowed to buy⁸ B-shares (in hard currency) and from this year foreign joint venture companies should also be able to access the stock markets. The 'new market' for start-ups and small private companies ("Second Board") which has been proposed on many occasions will have to wait for a while yet for this.

A look at the individual quarterly results⁹ for the last year makes it clear that the world wide slow down in economic growth did not bypass China without trace. Even when the situation on the main export markets eased within a few months, the country still has to face a **difficult year** from an economic point of view. As a result of membership of the WTO and the trend to the opening-up of the Chinese market local goods and services are exposed to stronger competition and price levels in general are coming under further pressure. The current decline in consumption in private households, which expect further price reductions in future as a result of WTO membership, will increase the deflationary trend even further. The fall in exports will put more pressure on the government to boost growth by investment in infrastruc-

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ture financed by the deficit. Government debt will increase as a result of this; a trend which experience shows is hard to reverse. Even the number of unemployed will further increase this year because not only the ailing government firms but also agriculture, which is most likely of all sectors to suffer from WTO membership, will generally lay off large numbers of the workforce. Under the impression of developing the employment market and fearful of social unrest the government will only hesitatingly put further steps to reform in hand – at the heart of this is the privatisation of state companies. In addition the eagerness to reform might suffer under the existing exchange of power in the highest echelons of the communist party and the government, as the new leadership gives stability the highest priority in the coming transitional period. If all this is taken into consideration, it appears questionable whether the promised minimum growth of 7.0% can be achieved in this year. The fact alone that the government has set the official growth target so low gives little opportunity for optimism¹⁰ looking at it from today.

Of course there are also **positive elements**¹¹. As a result of WTO membership the general conditions will improve even for companies on the local markets. The importance of the private sector, which has recently undertaken, to lead the Chinese economy to lasting success, will increase further. In addition the ‘promise of China’ is tempting and particularly intensive at the moment¹². WTO accession and even including the desolate situation of other popular economies in the region¹³ concentrates the interest of foreign investors in China and ensures that extensive direct investment continues to flow into the country. The Chinese market remains attractive for foreign companies, as the government encourages demand at home and as an increasing number of consumers are in a position to buy the coveted foreign quality products. However above all with WTO accession China has become more attractive as a global production place¹⁴.

As happened in the “Asia crisis” of 1997 there is speculation today by various parties about a threatened devaluation of the Renminbi. So far the Central Bank appears to have decided to maintain the current rate (RMB 8.3 for 1 US Dollar). The government is still following its target with the reduction in interest rates on 21 February 2002 of countering the current pressure to raise the value of the Renminbi.

Difficulties and Challenges

Since the beginning of the reform policy in 1978 China’s economy has grown at an average of 8% per year. During this time private companies have accounted for approximately 45% of non-agricultural production; companies with foreign financing employ approximately 10% of the urban workforce. The structural change involved in this process made the implementation of the plan to convert to a socialist market economy irreversible to a large extent. China’s accession to the WTO is to be valued as a further decisive step in the chosen direction. The government’s dilemma is that they must drive the reform process forward in order to create the conditions for

long-term growth but on the other hand must ensure sufficient short term growth so as not to endanger social calm and the stability of the prevailing order. There is no room for doubt that the steps for reform will be shelved in the short-term if the target growth of 7% per year has to be defended.

In the foreground there are the “**Three Reforms**”: (1) state owned companies, (2) the financial sector and (3) social securities, which are closely interconnected:

(1) 1998 Prime Minister Zhu Rongji announced he would reform the heavily indebted **state owned companies**¹⁵ within three years. The state’s announcement of success backed up by statistics, at the end of this time, should however be seen in relative terms. The number of companies in debt was reduced by mergers, and the increase in income shown can in many cases be traced back to creative accounting. Instead of simply closing de facto bankrupt companies they are being kept afloat with new bank loans due to the fear of the consequences of increasing unemployment. Previous attempts to privatise such companies on local stock exchanges have foundered immediately as prices plunged as a result.

(2) The situation of the **financial sector**, in particular the banks, is closely linked to state owned companies. The four major state commercial banks, which administer approximately 65% of all bank assets, are suffering under the burden of loans which they have to grant without regard to repayment to the state owned companies. In the last year the take over rate of bad loans ended up amounting to RMB 1,300 billion through what are known as *Asset Management Companies*. According to official figures 25% of loans of the big four are still non-performing. Independent experts estimate that the true figure is double this. The extent of the bank’s poor business ethics was made clear by the corruption scandal made public a few weeks ago about the former head of the Bank of China. It is clear for the government that in order to increase the Chinese banks’ competitiveness, supervision must be tightened, management improved, profitability increased and bad loans reduced. A new supervisory authority for banks will soon have to be set up for this. Further steps to reform (stock exchange listing of the four major banks, easing of restrictions in currency trading and interest, etc.) are being considered by the Central Bank in the next three to five years.

(3) The World Bank estimates that the capital required to set up an efficient **social security system** is close on USD 230 billion. A plan, first presented last summer to obtain the necessary resources by selling shares in quoted state owned companies (a partial privatisation, that should accelerate the reform of these companies) was suspended in October in view of the massive fall in prices on the equities markets. Without an efficient social security system to support the unemployed resulting from the closure of state owned businesses the whole reform process will founder.

In addition to these three fundamental fields of reform the government is faced with three further challenges:

The campaign to **develop the West** (“Go West”) was launched in the wake of the Asia crisis in 1997 with two aims, to boost total growth by state spending on infrastructure projects and to counter the growing sense of ‘feeling’ between the rich coastal provinces in the east and the poor western hinterland. The government an-

China's Economic Figures in Recent 5 Years

Following are the statistics on China's Economy in recent five years, announced by the China National Bureau of Statistics

	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: Xinhua, January 3rd

nounced at regular intervals the successful implementation of these programmes. Many experts however doubt that building numerous airports, railway lines, pipelines etc. will have the required effect. In fact the campaign has awkward reminiscences of the methods of the planned economy which the government wants to detach itself from in other places (reform of state owned companies).

The chaotic behaviour of many participants in the market¹⁶ (counterfeiting, tax evasion, manipulation of the stock exchange, falsification of the books, smuggling, breach of contract and fraud in foreign and currency trading as well as in the lending business etc.) and the ever present blatant corruption cause considerable financial damage¹⁷. The government therefore launched its campaign for **orderly conduct in the market** on a high note. These attempts have only had a partial effect lately as various laws and proper business practice ("good corporate governance") presume good operational rules and implementation, which again mean nothing without basic political and social reforms.

International and Regional Economic Agreements

Policies and priorities

China became a member of the **WTO** on 11 December 2001. As a condition of accession the Peoples' Republic undertook to do the following within a specified transition period¹⁸:

- to reduce the import duty on industrial and agricultural goods;
- to open up the market for a wide range of services;
- to reform legislation and its application for greater transparency;
- to adopt the existing WTO agreements on international trade;
- to formulate various measures specific to China in order to facilitate trade.

Books are being written about the consequences of WTO membership for China, for her trading partners, investors and also for the WTO itself¹⁹. The significance of WTO membership for the wider reform of the Chinese economy and the People's Republic cannot be over-estimated. Everyone was talking about it in the months before joining and they still are today; the authorities publish new 'WTO-conform' conditions on an almost daily basis. Any one who thought that membership would change market conditions overnight, would by now have been disillusioned.²⁰ Even where there is no dispute about the central authorities' will to comply with the provisions of the WTO the potential for obstruction by the administration and above all by the provincial authorities should not be under-estimated.

China is a member of the most important international financial institutions (**IMF, World Bank**) and one of the largest beneficiaries of funds from multilateral and bilateral development and economic cooperation programmes. In the last year China held the Chair of the Asia-Pacific Economic Cooperation (**APEC**)²¹, which brought the Shanghai government a range of high ranking opportunities, the high point being the meeting of the heads of state and government at the end of October (9th APEC informal leadership meeting).

Current negotiations

In order to counter the ASEAN countries' anxieties about their overpowerful neighbours, China proposed the creation of a joint free trade zone at the ASEAN summit in Singapore (2000). On 6 November 2001 the heads of government of the ASEAN states supported the project with a horizon of 10 years. In April the first negotiations took place in Kunming between representatives of the ASEAN and China.

Shortly before the end of the year the first talks about the creation of a free trade zone between Hong Kong, Macao and China (mainland) took place, but were adjourned without any concrete results.

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Outlook for Switzerland

Only a few days after the negotiations on WTO accession were concluded China granted "Zürich Versicherungen" an insurance licence thus honouring part of its bilateral agreement of 26 September 2000. According to this agreement China has agreed to make further concessions in the fields of insurance licences, inspection services, and imports of watches. Swiss companies will be able to take advantage of China's opening up in various sectors such as banking, insurance, engineering, chemical and pharmaceutical products and watches. Following WTO accession they will be able to enjoy lower duties and improved market conditions for their exports to China as well as easier access to markets for their services.

Foreign Trade

Development and perspectives

As Chinese exports mainly consist of simple "low technology" consumer goods (toys, textiles, shoes, etc.) they were less or later affected by the worsening economic situation in the major export markets of USA and Japan than some of the export sectors in Taiwan or Korea. In June Chinese exporters were overtaken by the global trends when for the first time for two years monthly results had to report a negative figure (a drop of 0.6%). In total exports increased in the last year by 6.8% (to USD 266.16 billion), representing a clear fall in export growth compared to the 27.8% increase in the previous year. The general conditions for the current year seem to be more difficult and the government is expecting a decline in exports. Imports increased by 8.2% in the last year (to USD 243.61 billion). The trade surplus amounted to USD 22.55 billion.

With the background of the economic difficulties in Taiwan but also as a result of the simultaneous accession to the WTO²² there were changes in economic relations between China and the island. Last November the government of Taiwan decided to take steps to ease direct investments in the mainland. Other liberalising measures in the field of banking and trade followed in February this year. The opening up of the so-called "three connections"²³ is under discussion, but it will have to overcome some political obstacles on both sides.

Comparative advantages, strong sectors

China's greatest strength is its enormous army of cheap and comparatively well-trained workforce. Until now China's processing industry almost exclusively exported consumer goods in the lower price segments (textiles, clothing, shoes, toys). Mainly private Chinese firms and companies with interests abroad produce increasingly higher value products (household appliances, consumer electronics, PCs, mobile telephones etc.). In the last year the proportion of these high tech products exported by China was 17.5%. The problem of countless state owned companies, which are highly inefficient and flood the

market with practically unsaleable products of very poor quality, does not alter the fact that China is acquiring a dominant position in almost all fields in industrial production. The WTO accession will still accelerate this development because China's foreign trade will essentially be made easier. No internationally operating firm will in future be able to avoid drawing up a China strategy (market trends, shift in production). In the framework of the global value added chain the country will integrate quickly into world trade and thus increase dependency on China as a business location.

Another of the country's strengths is the high level of savings, the population's tremendous ability to adjust to changes of all kinds as well as the worldwide network of relations with Chinese living and working abroad. Despite many shortcomings and criticism from all sides, the government's economic policy must be seen as a plus. Compared to other countries in the region the leadership demonstrated decisiveness and unity thereby winning the confidence of foreign investors.

Most important trade partners (inc. Switzerland)

The USA, Hong Kong²⁴, Japan and the EU are China's most important export markets. Taiwan and South Korea are together with the above the most important countries of origin for goods imported into China. The observation that after the EU, Switzerland is China's largest European trade partner will surprise no one.

Bilateral Trade Switzerland – China

Development and prospects

Following the sensational figures for the previous year Swiss exports to China in 2001 jumped by a further 18.9% to CHF 1.67 billion. Imports from China on the other hand fell to CHF 2.23 billion (1.9%). With a trade volume totalling CHF 3.93 billion the trade deficit still amounts to CHF 589 million.²⁵ Appendix 1 gives information about the composition of the basket of goods in bilateral trade between Switzerland and China. It is striking that products from the engineering industry clearly dominate exports and record above average growth. The most substantial goods imported from China are shoes, engineering as well as chemical and pharmaceutical products.

Foreign competition, which is threatening to increase on the Chinese market after joining the WTO, thus increasing demands from Chinese consumers and the inevitable pressure to higher added value have led to a trend towards better productivity and quality. The fact that excellent business opportunities were offered to Swiss companies has shown in the last year for example in the textile industry reducing the ever-present over-capacity and modernised production plant. The automobile, pharmaceutical, petrochemical and the construction industries (house building technology) and even agriculture are under similar pressure to make adjustments. It must

Trading Partners in 2000

Rank	Country	Exports to (USD million)	Part (%)	Var. (%)
1	USA	52103,813	20,91%	24,2%
2	Hong Kong	44519,822	17,87%	20,8%
3	Japan	41654,049	16,72%	28,5%
4	Korea	11292,506	4,53%	44,6%
5	Germany	9278,090	3,72%	19,3%
6	Netherlands	6687,172	2,68%	23,5%
7	UK	6310,243	2,53%	29,3%
8	Singapore	5761,318	2,31%	28,0%
	EU	38190,000	15,32%	n/a
	Switzerland	747,883	0,30%	10,8%
Total		249200,000	100%	27,8%

Rank	Country	Imports (USD million)	Part (%)	Var. (%)
1	Japan	41511,820	18,44%	22,9%
2	Taiwan	25493,686	11,33%	30,6%
3	Korea	23207,341	10,31%	34,7%
4	USA	22363,152	9,93%	14,8%
5	Germany	10408,759	4,62%	24,9%
6	Hong Kong	9429,177	4,19%	36,8%
7	Russia	5769,892	2,56%	36,6%
8	Malaysia	5479,998	2,43%	52,0%
	EU	30850,000	13,71%	n/a
	Switzerland	1461,372	0,65%	44,5%
Total		225100,000	100%	35,8%

Source: Moftec

not be forgotten finally that the energy and water supply sectors, where the government has made timid steps to privatisation is fairly difficult to access for Swiss providers, because authorisation for projects is frequently subject to political criteria and projects are often too big for those Swiss companies that are interested. Other fields with great potential are telecommunications and IT as well as the food processing industry and all the environmental protection technologies, where financing poses a particular problem. In the aftermath of China's WTO accession there are particularly favourable prospects for Swiss firms in all service areas (especially banking and insurance, logistics and distribution), which are still highly underdeveloped in China.

Some 300 million inhabitants of China's towns and cities could today be considered as potential consumers in the western sense. The purchasing power of this group is increasing and surveys generally show that the purchasing criteria and demands for quality of Chinese consumers are very similar to ours. The watch industry²⁶ which is particularly successful on the Chinese market gives an indication of the potential that is opening up for Swiss consumer goods.

Specific information about Swiss companies

A survey carried out by the Swiss Embassy in August 2001 showed that Swiss companies established in China continue to be optimistic. Only an extremely small number of companies expected stagnant or even weak results for the year just ended. In the medium term 65 of all 150 companies questioned are going to maintain their business in China at the same level or expand it.

Direct Investments

Treatment of foreign direct investments

The Chinese government is trying hard at all levels and very successfully to obtain foreign investments. In certain sensitive sectors however foreigners remain excluded or are limited to minority holdings. Even on this point WTO accession has made improvements. The repatriation of

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capital and profits is essentially guaranteed, but is criticised by many companies as being too elaborate.

Due to the underdeveloped Chinese equities markets and because the currency is still not fully convertible, foreign investment stands at some 90% of direct investment and frequently occurs when a foreign company erects a new factory ("*greenfield investment*"). This structure restricts the foreign investors freedom of movement, but makes China less susceptible to volatility on the international financial markets, as it is difficult to withdraw capital from direct investments.

Thanks to less restrictive legislation and under the impression of difficulties which various joint ventures (JV) experience with their Chinese partners, more and more foreign investors prefer to establish a wholly foreign owned enterprise (WFOE). Even converting an existing JV into a WFOE is sometimes considered, but this is usually associated with considerable administrative expenditure and high compensation costs²⁷.

Although the government acknowledges the central significance of the private sector for the continuing development of the Chinese economy, private firms with or without foreign interests are faced with many obstructions and are disadvantaged compared to state owned companies.²⁸ Instead of commercial and industrial freedom it is basically assumed, that any economic activity is prohibited before it is expressly allowed. Many companies conduct their business in a legally grey area, deliberately created by the local authorities. Their situation is tolerated but can be terminated at any time.

The most important countries of origin including Switzerland

In the last year 26,139 new companies with foreign interests were registered in China. Direct investment com-

mitments amounted to USD 69.2 billion (up 16.01% compared to 2001) and those actually made to USD 46.8 billion (up 10.43%). That means that in 2001 approximately 80% of all direct foreign investment in Asia was made in China. In total direct foreign investment in China so far has amounted to USD 400 billion. Since the beginning of the policy of reform almost 400,000 firms with foreign participation have been established although a sizeable number of these have closed their doors again.

With almost 50% Hong Kong has the position of being by far the most important "country of origin"²⁹ of foreign investments, which means a considerable part of these resources is money which for tax reasons was originally exported from China and then invested again via Hong Kong. The USA, Japan and Taiwan are following with just 10% each of foreign investment.

Currently there are about 200 Swiss companies with over 500 subsidiaries in China³⁰. Extrapolated figures estimate direct investments to total between CHF 3.5 and 4 billion, ranking Switzerland as one of the fifteen most important countries of origin for foreign investments. On the Swiss side there are no accurate details on direct investment in China because investments of less than CHF 10 million do not have to be reported and companies have largely ignored the most recent survey by the Swiss Embassy in Beijing. According to details from the Ministry for Foreign Trade (Moftec) China approved 43 projects with Swiss participations last year. The agreed investments amounted to USD 291.12 million, those actually made amount to USD 205.44 million. The overall figure for Swiss direct investment projects according to Moftec is 441 with an investment volume of USD 1.3 billion.

China: Foreign Direct Investment

Rank	Country	FDI 1999 (billion USD)	FDI 2000 (billion USD)	Share (%)	Variation in % year on year	Variation in billion USD year on year
1	Hong Kong	16363	15500	38,07%	-5,27%	-863
2	USA	4216	4384	10,77%	3,98%	168
3	Japan	2973	2916	7,16%	-1,92%	-57
4	Taiwan	2599	2297	5,64%	-11,62%	-302
5	Singapore	2642	2172	5,33%	-17,79%	-470
6	Virgin Islands	2659	3833	9,41%	44,15%	1174
7	Korea	1275	1490	3,66%	16,86%	215
8	UK	1044	1164	2,86%	11,49%	120
9	Germany	1373	1041	2,56%	-24,18%	-332
10	France	884	853	2,10%	-3,51%	-31
	Total E.U.		n/a	n/a	n/a	n/a
	Total ASEAN		n/a	n/a	n/a	n/a
	Switzerland	247	194	0,48%	-21,46%	-53
	Total	40319	40715	100,00%	0,98%	396

Source: MOFTEC

Specific information on Swiss companies

Switzerland has concluded an investment protection³¹ and a double taxation agreement³² with China.

There are very few representative details about the success rates of Swiss or other foreign direct investments, because generally companies do not discuss this. According to a study by the Taiwanese government 41.7% of 1,644 of its companies asked who had invested in China lost money or were only just making a profit. Only 46.6% of companies admitted that their investments in China are profitable³³. From the Swiss point of view this is not very satisfactory, as it would expect it would be easier for Taiwanese firms than others to be successful on the Chinese market, as one of the greatest impediments, the culture clash, does not stand so markedly in their way.

Instruments of Swiss Trade Development in China

The Chinese state regulates all economic activity in every detail and owns the entire industrial sector and is one of the most important players in the economy. Regular contacts with authorities at all stages are unavoidable for the Swiss firms active in this sector and the official representations of Switzerland (**Embassy in Beijing** and **Consulate General in Shanghai**) play a special role in negotiation or facilitating such contacts.

At the end of 2000 the **Swiss Chinese Chamber of Commerce**, which had been opened in 1996 in Beijing as a representative office of the Swiss Chinese Chamber of Commerce, received the necessary licence as a chamber of commerce under Chinese law. On 19 April of last year the new chamber in Beijing was officially inaugurated. The former Shanghai Business Forum forms a new organisation ("Shanghai Chapter") on equal terms within the chamber.

On 17 September 2001 the 15th conference of the **Joint Swiss Chinese Commission** took place in Beijing. The Ministry for Foreign Trade received a delegation of representatives from the State Secretariat for Economic Affairs, trade associations and the Swiss Chinese Chamber of Commerce for talks about bilateral economic relations. The negotiations confirmed the excellent relations between both countries. The various difficulties which Swiss firms face in China were also discussed.

As part of the reorganisation of the promotion of trade the **Swiss Business Hub China** (SBH China) was opened on 18 March 2002 at the Swiss Embassy in Beijing which also has an office in the Consulate General in Shanghai. Before the end of this year an export development scheme will be expanded in the region into an independent SBH Hong Kong. The work of the SBH will be undertaken by the former personnel of the Embassy and the Consulate General.

Useful Information

Statistics

Reliable statistical data are not easy to obtain within the country. It must basically be assumed that the figures provided by the government contain significant errors. The State Office of Statistics publishes a comprehensive yearbook (www.stats.gov.cn).

Useful information for Swiss companies

The Swiss Embassy publishes a weekly compilation of current economic news under the title **China Business Briefing** (www.sinoptic.ch/cbb).

The following Internet sites contain specific information for Swiss companies, which operate or which want to operate in the Chinese market (see also Appendix 2):

State Secretariat for Economic Affairs	www.seco.admin.ch
Swiss-Chinese Chamber of Commerce	www.sccc.ch
Trade Department of the Chinese Embassy in Berne	www.sinoswiss.net
SOFI	www.sofi.ch
OSEC	www.osec.ch

Difficulties in Bilateral Economic Relations

There are no real difficulties in bilateral economic relations between Switzerland and China. There is only one dispute with regard to a claim for compensation from Switzerland as a result of the nationalisations in 1949, for which the Chinese side has not yet begun to enter into serious negotiations. In bilateral talks the current matters of concern of Swiss firms operating in China are generally brought up where Chinese authorities are affected by these.

In the forefront of the 15th Conference of the Joint Commission the embassy carried out a survey of current conditions with Swiss firms in China in August 2001. Of the 220 questionnaires which the embassy and the Consulate General in Shanghai sent out, 65 were returned completed. In total the replies of the companies corresponded approximately to what had been expected. Nearly all criticised the lack of transparency in legislation and the unfair application of the law, local protectionism, the inadequate protection of intellectual property and the deficient payment ethics. Particular problems are currency control, difficulties in connection with the transfer of technology (especially high taxation of licence fees) and the complicated import of raw materials and semi-manufactured goods.

(continued on next page)

Current cases

The Embassy in Beijing has had various dossiers presented in which Swiss companies asked it for help with the Chinese authorities. Generally these are cases of breach of contract, denial of justice, unenforceable judgments, counterfeiting (especially for medicaments and luxury goods) or delayed approvals for proceedings. A periodically up-dated list of current cases is sent directly to the relevant office of the federal government.

Measures

The embassy usually meets the legal representatives of the Swiss companies affected in order to agree on the way to proceed. They concentrate on contacts with the relevant provincial authorities and with the Ministry for Foreign Trade in Beijing. The more notice a case receives the greater the chances of success.

Jürg Lauber
Head of Economic & Commercial Section
Embassy of Switzerland in Beijing

¹⁴“China enjoys bumper 2001 amid global gloom”, China Daily, 14 December 2001.

²⁴“...the country best placed to ride out the world’s first synchronized global recession.” (Far Eastern Economic Review, 25 October 2001).

³The practice introduced at the 50 year jubilee celebrations of the People’s Republic of using public holidays to boost consumption is being continued. But this will increase doubt as to whether long interruptions in production cause more damage than help to the economy. Looking at the continuing industrial over-production, the question can be asked as to whether a considerable advantage of these long holidays is a drop in production.

⁴The enormous increase compared to the end of 2001 (USD 146 billion) is due to new accounting methods introduced by the Central Bank on the recommendation of the IMF which now includes the debts of foreign financial institutions operating in China, the off-shore assets of Chinese Banks and certain trade credits.

⁵Even in 1998 the deficit amounted to only 1% of GDP.

⁶Recently published statistics show that long term investments using government loans in the last four years amount to RMB 520 billion and that they contributed between 1.5 and 2 percent to annual growth.

⁷Officially the urban unemployment figure amounts to 3.3%. Even Chinese officials admit that this figure should really be 7% to 8%. Independent estimates make this considerably higher (10% to 12%).

⁸These are only superfluous, until now normal everyday transactions to avoid tax, thus hardly bringing new capital to the markets.

⁹(Q1: 8.0%, Q2: 7.8%, Q3: 7.0%, Q4: 6.6%).

¹⁰It should also be taken into account that at the 16th Party Congress in autumn of this year an account will be given on the performance of the current leadership. This puts the government

under greater pressure and could give an opportunity for statistical calculations, which prove higher growth than expected.

¹¹See also under figure 32.

¹²“Marry the euphoria of the Internet to the lure of China’s markets, and you have the hype of the century. Add China’s accession to the World Trade Organization, and the excitement gets really out of hand.” Chang, p. 70.

¹³“The sadness of Japan”, The Economist, 16 February 2002.

¹⁴“The global powerhouse of manufacturing”, Goldman Sachs Asia.

¹⁵Statistics for 1999 show that the state owned companies employ 41% of the workforce in towns and cities, 53% in industrial plants, but only account for 28% of economic output.

¹⁶“People’s Republic Of Cheats”, Far Eastern Economic Review, 21 June 2001.

¹⁷A study by the University of Tsinghua puts the amount of funds, ‘lost’ by projects and companies in the last 10 years at 13% to 16% of GDP (some US\$ 150 billion).

¹⁸The agreement on China’s accession to the WTO can be found at: www.moftec.gov.cn/moftec_cn/wto/wtolaw.html

¹⁹Current example: “Integrating China into the Global Economy”, Nicholas R. Lardy, Brookings Institution, 2002.

²⁰“China’s new trade rules have hint of protectionism”, WSJ.com, 4 February 2002.

“Erste WTO-Rückzugsgefechte Chinas”, Neue Zürcher Zeitung, 4 December 2001.

²¹The title for the year’s activities was: “Meeting new challenges in the new century, achieving common prosperity through participation and cooperation.”

²²Naturally the “Province of Taiwan” is not a member country, but was accepted as an autonomous customs region.

²³Trade, transport and communications.

²⁴Hong Kong itself is a significant economic area and international trading partner, plays a special role as a port of transshipment in Chinese foreign trade, which is clearly reflected in the trade statistics of the special administrative region.

²⁵The trade deficit shows the opposite if the figures for trade between Switzerland and Hong Kong are added up. Exports, taken together run in the last year to CHF 5.71 bn, imports into Switzerland to CHF 2.94 bn. Exports from Switzerland to Taiwan fell by 14.4% (to CHF 1.31 bn.) and imports from Taiwan by 25.7% (to CHF 809 m.).

²⁶This success is not clearly mirrored in the official trade statistics for several reasons. The explanation for these would be outside the scope of this report.

²⁷The most prominent example from the Swiss point of view is the first Sino-foreign Industry Joint Venture: “China-Schindler Elevator Co: From JV to WFOE”, ChinaOnline News, 12 February 2001.

²⁸“China’s emerging private enterprises”, International Finance Corporation (IFC), Washington 2000.

²⁹One country, two systems!

³⁰Swiss Business: China Directory 2001 (October 2001).

³¹Agreement dated 12 November 1986 between the government of the Swiss Confederation and the government of the People’s Republic of China on mutual development and investment protection (SR 0.975.224.9).

³²Agreement of 6 July 1990 between the Swiss Federal government and the government of the People’s Republic of China for the avoidance of double taxation in the field of taxation of income and assets (SR 0.672.924.91).

³³Far Eastern Economic Review, 24 January 2002.

Inserat COSCO EUROPE GmbH
Furness s/w

Economic Situation of the Yangtse Delta Region

Yangtse Delta Region Continues to Play the Role of Locomotive

While the world economy is growing slowly, China's economy is still robust. The Yangtse delta region – including Shanghai, Jiangsu and Zhejiang – continues to play a locomotive role in the country's economy.

The GDP of China rose 7.3% to 9'593.3 billion Yuan (1'159 billion USD) in 2001. The growth rate of the Yangtse delta region, in the same period, was more than 10 %, two percentage points higher than China's average. According to local statistic authorities, the GDP of Shanghai reached 495.1 billion Yuan in 2001, an increase of 10.2 %; in Jiangsu, the GDP was 951.5 billion Yuan, an increase of 10.2 % and in Zhejiang 670 billion Yuan, an increase of 10.5 %.

The attached table shows that the momentum of the economic growth in the Yangtse delta region strengthened during the first three months of this year. The growth accelerated to 10.7 % in Jiangsu and 11.4 % in Zhejiang. Although Shanghai had a growth rate of only 9.6 %, considerably lower than the provinces, but still stable and higher than China's average of 7.6 % for the same period.

The aggregated GDP of the delta region climbed to 2'116.5 billion Yuan (255.6 billion USD) in 2001, accounting for 22 % 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 completed investments in fixed assets grew at a rapid rate of 19.6 % for the whole of the country in the first three months of this year. It was even higher in the delta region for the first three months of 2002: in Shanghai the rate was 21.2%, in Jiangsu 24.9% and in Zhejiang 12.5 % (after a rapid increase of 22.1 % in the year 2001). Within this year, 21 "mega-projects" with a total investment of 50.4 billion Yuan (6.1 billion USD) will be launched in Shanghai, focusing on the fields of traffic facilities and environment protection.

A large scale of highway construction has been undertaken in the delta region. In Shanghai, the highways under construction amount 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 reserved 8.4 billion Yuan in its budget for the year 2001 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 is under construction (137 km),

with an investment of 5.6 billion Yuan. It will be completed before the end of 2004. These are only the most important examples.

Export and Foreign Investment: the Other Two Contributors to Growth

The economic growth of the region, especially in the provinces of Jiangsu and Zhejiang, was further supported by a rapid increase of exports and foreign investments. In 2001, Shanghai exported goods with a value of 27.63 billion USD, an increase of 9 % compared to the previous year; Jiangsu exported 28.88 billion USD, an increase of 12 % and Zhejiang's exports grew 18% to reach an amount of 22.98 billion USD. All the export figures were much higher than China's average growth rate (6.8 %). The region's total export value increased by 12.7 % compared to the previous year, and reached 79.49 billion USD, accounting for 30 % of China's total of 266.16 billion USD. Nonetheless it is important to see that the growth rate of exports went down in the past few years – a "normalisation" of export growth has thus taken place. The export-driven development of the Chinese economy is typical for an industrializing country. Given the size of the People's Republic the export dependency of the country is bound to go down.

The delta region thus 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 in 2000 and 13 billion USD in 2001, accounting respectively for 46 % and 58 % 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. Private and collective enterprises exported goods for 5.48 billion USD in 2001, an increase of 62.6 %. The contribution rate of those enterprises to the export increment of the province amounted to 59.7 %.

A similar situation was also shown in the delta's foreign investment. The region saw an accelerating influx of foreign direct investment since last year. The total foreign investment in terms of actually utilised value was 13'952 million USD in 2001, accounting for 30 % of China's total (46'800 million USD). The foreign investment in Shanghai reached 4'392 million USD in 2001 in terms of actually used amounts, an increase of 39 %; in Jiangsu 7'350 million USD, an increase of 11.5 % and in Zhejiang 2'210 million USD, an increase of 37.1 %. In China as a whole, the increase was "only" 14.9 % for the same period. Foreign investment in terms of actually

utilised amounts continued to increase rapidly in the region during the first three months of this year: in Shanghai it grew by 14.5 %, in Jiangsu by 60.2 % and in Zhejiang 45 %, compared to 27.5 % for the whole nation.

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 for 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. Seeking closer economic cooperation, the Mayor of Shanghai and the Governors of Jiangsu and Zhejiang met for a two-day forum in Yangzhou in April 2002.

Nowadays, the local authorities in the delta region are making efforts not only to attract foreign capital, but also to lure 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 centre, is the biggest importer of net capital. During the first three months of this year, the investment from other provinces in Shanghai totalled 9.8 billion Yuan (in more 1300 projects), a rise of 25 % 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 noticed 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 re-invested 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 for the delta region provinces will be realized.

To accelerate the economic growth, Chinese governments, central and local, continued to pursue a pro-active monetary and fiscal policy. They took measures to stimulate investment, consumption and exports. In February 2002, the Chinese central bank lowered its interest rate for the eighth time since 1996 (the last change took place in September 1999). The benchmark one-year in-

terest rate of fixed bank deposits was reduced by a 0.27 percentage point to 1.98 percent. China issued 150 billion Yuan (18.1 billion USD) in government bonds last year, so that the total volume of the outstanding long-term bonds since 1998 increased to 510 billion Yuan (61.6 billion USD). Huge investments in infrastructural construction will thus 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 and Japan), strongly reducing demand from abroad and slowing export growth in recent months but also slower growth of private consumption, which was badly influenced by the deteriorating employment situation and lagging farmers' income.

Re-employment of the laid-off workers remains a big problem all over China. By the end of 2001, 6.8 million people in the urban areas across the country were registered as unemployed. In addition, there were approximately 150 million jobless farmers in rural areas, flooding into cities and looking for employment opportunities. Their presence has a clear dampening effect on the employment situation as their employment or unemployment does not show in any official statistics. Situations in Zhejiang and Jiangsu are relatively good, while employment remains a big problem in Shanghai. The urban unemployment rate reached 3.8 % (with 218,000 laid-off workers), a peak in the official statistics. About four million immigrant workers from other provinces (mainly from Anhui, Henan, Sichuan and northern part of Jiangsu) marked the employment situation in Shanghai. China will see an annual average of 12 million to 13 million new workers entering the work force. Over the coming years the country is undoubtedly going to experience the most serious pressure on the labour market since the economic opening in 1979.

Li Rongzhang

Commercial Section

Consulate General of Switzerland, Shanghai

See for current economic indicators on next pages

Yangtse Delta Region

Current Economic Indicators* of the Consular Area**

Year		2000		2001		First Q., 2002	
		volume	growth rate (%)	volume	growth rate (%)	volume	growth rate (%)
GDP (billion RMB)	China	8'940.40	8.0	9'593.30	7.3	2'102.00	7.6
	Shanghai	455.12	10.8	495.08	10.2	115.95	9.6
	Jiangsu	858.47	10.6	951.46	10.2	209.69	10.7
	Zhejiang	603.00	11.0	670.00	10.5	169.00	11.4
	Anhui	303.00	8.3	329.01	8.6	69.68	8.8
	Consular Area	2219.59		2'445.55		564.32	
Total Retail Sales of Consumer Goods (billion RMB)	China	3'415.30	9.7	3'759.5	10.1	1'003.5	8.4
	Shanghai	172.23	8.3	186.1	8.1	50.73	8.8
	Jiangsu	260.41	8.8	286.9	10.2	80.21	12.6
	Zhejiang	229.90	10.7	255.5	11.2	47.29	23.7
	Anhui	105.43	7.7	114.3	8.4	30.92	7.5
	Consular Area	767.97		842.81		209.15	
Completed Investment in Fixed Assets (billion RMB)	China	3'261.90	9.3	3'689.8	12.1	467.2	19.6
	Shanghai	186.11	0.2	198.4	6.1	28.97	21.2
	Jiangsu	299.54	9.2	330.3	10.3	55.66	24.9
	Zhejiang	220.70	18.9	276.9	22.1	71.29	12.5
	Anhui	86.67	12.0	96.26	11.0	7.97	41.2
	Consular Area	793.02		901.9		163.9	
Exports (billion USD)	China	249.2	27.8	266.16	6.8	64.66	9.9
	Shanghai	25.35	34.9	27.63	9.0	6.77	4.7
	Jiangsu	25.77	40.7	28.88	12.1	7.71	18.5
	Zhejiang	19.44	51.1	22.98	18.2	5.86	20.8
	Anhui	2.16	29.0	2.28	5.1	0.52	10.3
	Consular Area	72.72		81.77		20.86	
Imports (billion USD)	China	225.1	35.8	243.61	8.2	57.40	5.2
	Shanghai	25.35	35.0	33.27	13.3	7.76	9.6
	Jiangsu	19.87	53.4	22.47	13.1	5.62	10.3
	Zhejiang	8.39	54.4	9.82	17.1		
	Anhui	1.17	20.1	1.34	13.9	0.32	12.0
	Delta Region	54.78		66.9			
Foreign Investment Projects (during the period)	China	22' 532	31.8	26'139	16.0	6'172	16.3
	Shanghai	1'814	23.3	2458	35.5	662	21.2
	Jiangsu	2'645	37.4	3581	35.4		
	Zhejiang	1'642	47.5	2310	40.7	635	36.9
	Anhui	247	24.1	260	5.3	50	
	Consular Area	6'348		8609			

Year		2000		2001		First Q., 2002	
		volume	growth rate (%)	volume	growth rate (%)	volume	growth rate (%)
Contracted	China	62' 657	50.8	69'200	10.4	17'855	11.4
(in million USD)	Shanghai	6'390	55.7	7373	15.4	2553	21.5
	Jiangsu	10'620	17.8	15'090	42.2		
	Zhejiang	2'510	16.8	5020	99.9		83.0
	Anhui	752	-12.1	1272	69.2		
	Consular Area	20'272		13665			
actually Utilised	China	40' 772	0.9	46'800	14.9	10'111	27.5
(in million USD)	Shanghai	3'160	3.7	4392	39.0	1030	14.5
	Jiangsu	6'600	-0.7	7350	11.5	2350	60.2
	Zhejiang	1'613	5.2	2210	37.1		45.0
	Anhui	415	-36.8	480	15.0	30	
	Consular Area	11'788		14432			
Cumulative Foreign	China	364' 345				396'197	
Investment Projects	Shanghai	22' 270		24' 700***			
(end of the period)	Jiangsu						
	Zhejiang						
	Anhui						
	Consular Area						
Contracted	China	676.72				763.15	
(billion USD)	Shanghai	45.42		52.8****			
	Jiangsu						
	Zhejiang						
	Anhui						
	Consular Area						
Utilised	China	348.62				405.33	
(billion USD)	Shanghai	30.89		35.2			
	Jiangsu						
	Zhejiang						
	Anhui						
	Consular Area						

Source: Chinese Authorities

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

**The Consular Area refers here to Shanghai, Jiangsu, Zhejiang and Anhui.

***Among them, 96 projects were from Switzerland.

****Among them, 1.21 billion USD were from Switzerland. The biggest "Swiss investment" in 2001 are:

Emerson 660 mio. USD, Michelin 56 mio. USD, Firmenich 25 mio. USD

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**



10th to 14th June in Beijing and Shanghai



*Dr. David Syz, State Secretary
for Economic Affairs*



Dr. Charles Kleiber, State Secretary for Science and Research



*Eric Fumeaux, Head of Federal
Agency for Technology*

The People's Republic of China is going through amazingly rapid developments in the scientific, industrial and academic fields and its potential in the sector of high technology is enormous. With her recent accession to the World Trade Organization (WTO), China has also demonstrated her determination to integrate into the global environment. Switzerland, on the other hand, is a country with a long tradition of top-quality industry and academic institutions, and high-level research and development activities. Through this visit, we wish to demonstrate the interest of developing strong collaborations in the fields of industry, trade, research and development between Swiss and Chinese partners and to elaborate concrete projects for bilateral cooperation in areas such as health, environment and public transportation.

It is fascinating to observe how in today's world, people from countries with vastly different cultural backgrounds can quickly find together, develop lasting partnerships and thus enrich each other's personal experience. We are convinced that the Swiss Innovation Week in Beijing and Shanghai (June 10 to 14, 2002) will allow us to discover many areas where one side has identified specific needs while the other has devised suitable solutions. Thus, it will open new fields of cooperation between our countries the result of which will mutually benefit the people of China and of Switzerland."

Opportunities in Environmental Protection, Life Sciences and Public Transport Systems

Look for separate articles regarding Environmental Protection as well as on relevant topics regarding the Swiss Innovation Week (SIW) on the next pages.

Swiss-Chinese Workshops on Life Sciences

Ageing and Age-related diseases: from basic science to clinical and community medicine.

The ageing of the population is a major challenge for 21st century, both for China and for Switzerland. Taken the example of age-associated neurodegeneration, approximately 30% of individuals over 85 years are suffering from dementia (mostly of the Alzheimer's disease type). With the increase in longevity (both in China and in Switzerland), the absolute numbers of patients with age-associated dementia will be increasing. At the same time, the number of younger family or society members that are able to take care of the demented elderly is decreasing. For this reason and because of changes in family life style (wife and husband working, small apartments in the city etc.) such patients can in many cases not be taken care of by family members anymore. Besides neurodegenerative diseases, heart failure and osteoporosis are other relevant examples. Also, nutritional and pharmaceutical aspects in preventing and in combating such diseases are of high relevance. In order to address these questions and possibly avoid a future social and medical dilemma, research efforts towards the understanding of ageing and age-related diseases have to be directed through a multi-disciplinary approach.

Biotechnology: from genomics to proteomics

Recent advances in sequencing of the plant, animal and human genome together with advances in the understanding of processes underlying the expression of the genetic code are leading to new insights into cell and organism function and malfunction. These insights may provide new techniques for improving production from plant resources e.g. in agricultural field as well as botanical medical fields. Furthermore, insight in the human genome and the genomes of model organisms and its expression may lead to a the elucidation of the function of genes and a better understanding of diseases with a genetic predisposition as well as to new methods for their treatment. As a specific example, sustained food security is one of the major challenges for mankind. In China improvement of rice quality (*Oryza sativa*) may be obtained through biosynthetic pathway engineering. Other interesting possibilities for collaborations may lay in genetic analysis of isolated population groups to establish linkage between disease and genetic background. For China it may be of interest to see how a small, highly sci-

ence and technology based country such as Switzerland deals with the new possibilities and issues presented by the extremely rapid development of biotechnology. For Switzerland it will be of interest to learn of Chinese approaches to these developments.

Aims of the workshops

It is the aim of these workshop to bring together Chinese and Swiss researchers interested in both fields and associate these with industry representatives. Given the complex nature of the problem, the workshops will be interdisciplinary. The most direct expected impact of these workshops is a progress in scientific understanding through high quality scientific presentations from both sides. However, in the case of the planned Swiss Chinese workshop, the expected impact goes further. Thus, we expect for both sides to gain a better understanding of the respective structures of scientific research in the two countries, both from political points of view as from industrial applied viewpoint. Furthermore, we expect the workshops to result in direct collaborative projects between research laboratories, possibly even on the level of a long term planning for institutional collaborations. And last, but not least, these workshops will also be geared to provide industrial counterparts from both sides with possibilities to become involved in application-oriented projects.

For further information please visit the website: www.sccc.ch (click on the moving symbol) or contact:

In China:

*Dr. Wu Jia-Rui, Director Institutes of Life Sciences
Chinese Academy of Sciences, wujr@sunm.shnc.ac.cn
Dr. A. Tschirky: Andreas.Tschirky@ROCHE.COM*

In Switzerland:

*Dr. R. Stoop, rstoop@ibcm.unil.ch
Dr. K.H. Krause, Karl-Heinz.Krause@medecine.unige.ch
Dr. W. Gruissem, wilhelm.gruissem@ipw.biol.ethz.ch*

(continued on next page)

Switzerland-China Biomedical Workshop

Biomedical devices and approaches for prevention and treatment of disease

A defining characteristic of the modern healthcare delivery system is the ubiquitous use of medical technology and biomedical devices: Prevention, diagnosis, monitoring, treatment, and rehabilitation of disease all rely on complex and sophisticated medical technologies. For example, the raise in the importance of blood transmittable diseases, especially Hepatitis and HIV, in various parts of the world including China has shown the importance of strengthening blood screening programs and blood transfusion services. This obviously within a combined series of preventive and curative approaches including health education and health promotion activities targeted to the general population and high risk groups, harm reduction for injecting drug users, clinical management of opportunistic infections and HIV-related illnesses, palliative care, Highly Active Anti-Retroviral Therapy (HAART) and the development of new treatments (e.g. AIDS vaccine development).

The workshop "Biomedical devices and approaches for prevention and treatment of disease" seeks to bring together Swiss commercial and scientifically oriented participants with potential Chinese customers and scientists in the field of biomedical devices. During the workshop the opportunity will be provided to Swiss participants to demonstrate effectiveness and applications of latest approaches and devices and to interact on one to one basis with potential scientific collaborators and customers.

Aims of the workshop

It is the aim of this workshop to provide an interdisciplinary forum for presentation and analysis of the potential and role of biomedical devices in preventing and treating disease. Specific emphasis will be put on approaches, devices, treatments and research related to HIV and other blood transmitted diseases. The workshop will furthermore provide possibility to develop common strategies to cope with problems related to infections in larger populations. It aims to stimulate contacts between Swiss companies and Chinese clients and scientists in this field. We hope that contacts/information provided through the workshop to result in direct collaborative projects between research laboratories, possibly even on the level of a long term planning for institutional collaborations. And last, but not least, this workshops will also be geared to provide business counterparts from both sides with possibilities to become involved in application-oriented projects.

For further information please contact:

For the Swiss side:

Dr. K. Wyss, Kaspar.Wyss@unibas.ch

Dr. A. Tschirky, Andreas.Tschirky@roche.com

Dr. R. Stoop, rstoop@ibcm.unil.ch

Dr. N. Lorenz, nicolaus.lorenz@unibas.ch

For the Chinese side:

Prof. L. Kang

Market Information in Environmental Protection in China

Current Environment Conditions

China has done many things right in the environmental area over the past decade, including massive investments to reduce air and water pollution. But in many respects, economic growth in China is overwhelming investment in conservation and environmental protection. Ongoing severe pollution of the Chinese environment is resulting in an increasing pressure to undertake action. While China currently spends about 1% of its GDP on environmental protection, both Chinese government officials and foreign experts alike acknowledge that pollution may be costing the country 10 times as much. The total of investments on

environmental protection during the 9th five year (1995–2000) plan amounts to 360 billion RMB, which is 0.93% of GDP. The total foreign investment on environmental protection during this five year is 4 billion RMB.

Water Shortage and Waste Water Treatment

Water availability and quality continues to be a critical problem throughout the 1990s, particularly in the areas of north of the Yangtze river. From a water quality point

of view, these parts of the country have reached the stage where deterioration of the water resource base is threatening the foundations of growth.

Per capita water resources in China are only one forth of the world average. The crucial point is, that so far water prices have been kept artificially low, and investors in treatment and supply facilities had no incentives.

According to China Association of Environmental Protection (1999) water in 90% of the Chinese cities is polluted seriously and purification ratio is till low. Water is not treated up to drinking water standards.

In China industrial and domestic waste water treatment is still handled as two separate issues; this is also due to lack of municipal drainage systems which allow to do effective waste water treatment. Secondary treatment rate is still very low, many of the waste water treatment plants only apply mechanical treatment processes.

Solid Waste Management / Recycling

Every private household in Chinese urban areas is producing 440 kilograms waste per year. With changing consumer patters this figure is likely to increase by about 8% yearly. In year 2000, China generated 110 million tons of municipal solid waste. Till now, waste is neither collected nor treated separately. In most of the Chinese cities domestic refuse is disposed centrally on simple, uncovered landfill sites. The paper, plastic and metal in the waste could be recycled and reused.

In 2000, China generated 1.47 billion tons industrial solid waste. Most industries have no abilities to treat the solid waste they produced because of old and backward equipment. For instance, 63% of industrial solid waste is stored or discharged; as a consequence, 34% of the cumulative industrial solid waste load was recycled, and 3% was treated in 2000 in Liaoning Province.

Currently, China generates between 20–40 million t/day of hazardous waste. According to State Environmental Protection Administration (SEPA) estimation less than 50% is treated or re-used, while the bigger proportion is accumulating in facilities or at general waste disposal sites.

Market Potential

Substantial investments will be required to improve urban environmental quality. Priorities include extension of waste water and increases in wastewater treatment capacity, fuel switching, water and energy conservation, and mass transit systems.

Legal Environment

Although China has relatively well-developed environmental legislation and standards, more thorough and equitable enforcement is needed. China's WTO agreements on market access will allow foreign service providers to operate on a cross-border basis, thereby eliminating the

need to establish a physical entity in China. Liberalized markets will simplify and thus improve business practices for environmental services and will improve the climate for investment.

Chinese government will list a specific environmental protection budget into yearly financial budget and increase its amount gradually. Meanwhile, profitable policies on financing, tax and import & export will be developed and improved to facilitate environmental protection, which will attract foreign investment on environmental projects. The government encourages foreign long-term soft loan to finance pollution control project and ecological protection project, while the projects in the western area of China will have the priority.

Investment Allocation

In order to achieve the environmental protection objectives during the 10th five year plan period, China plans to put 700 billion RMB into an environmental improvement campaign, in which:

- 270 billion for waste water treatment. China will increase the capacity of centralised municipal waste water treatment at 26 million t/day.
- 280 billion for air pollution treatment. This investment will mainly used for coal washing and screening process, desulfurisation in CHP, urban cleaner energy, infugitive emission control and motor vehicle pollution control.
- 90 billion for solid waste management. China will increase the capacity of municipal waste treatment at 150,000 tons/day, the capacity of dangerous waste disposal at 5,000 tons/day and the capacity of medical waste treatment at 1,650 tons/day.
- 50 billion for ecological protection.
- 10 billion for environmental capacity building, including environmental monitoring, research, planning, environmental awareness, and law enforcement.

This investment during the period will be 1.3% of GDP. The Chinese government will be responsible to collect 56% of the funds, while local companies will be expected to cover 44%.

Ten Major Projects

According to the 10th five year plan, 262 billion will be put into 1,137 projects, out of which, 145 billion will be pumped to the following 10 key projects:

- 31.7 billion into the water improvement of 3 rivers (Liao River, Huai River and Hai River) and 3 lakes (Tai Lake, Chao Lake, Dianchi Lake), 22.1 billion to build and expand 152 municipal waste water treatment along the 3 rivers and 9.6 billion to build and expand 29 municipal waste water treatment plants in the cities by the 3 lakes.
- 14.6 billion into water improvement for the Three Gorges reservoirs area, 10.6 billion to build 88 mu-

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- municipal waste water treatment plants and 4 billion to build 69 town and city waste treatment plants.
- 8.8 billion to secure water quality for the Water Diversion from South to North China project, 73 municipal waste water treatment plants to be built along the channel.
 - 1.6 billion into the Sea Bohai Action Plan, 11 municipal waste water treatment plants to be built around the Sea Bohai.
 - 12 billion to desulfurise coal-fired power plants, 37 power plants to install desulfurisation devices.
 - 53.6 billion into Capital City Beijing's Blue Sky and Clean Water project.
 - 3 billion into 70 natural reserve and ecological protection projects.
 - 19.5 billion to hazardous waste treatment.
 - 2.5 billion into the construction of a National Environmental Monitoring Network.
 - 1.3 billion into R & D and education.

Related Links

China Environmental Industry:
www.cepi.com.cn

China National Environmental Protection:
www.zhb.gov.cn

China Environmental Business:
www.ep168.com; www.china-epa.com

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4. China's Major Markets: Forecasts 2002-2005, Access Asia Limited, 2002

Development Prospects

Experts have forecasted an annual growth rate between 15 and 20% for China's environmental protection industry. A major area of growth will be waste water treatment technologies and equipment.

China is dependant on the import of foreign technological as well as management know-how. As to further development of the regulatory framework a positive trend can be remarked. Also, the announcement of the implementation of a nation wide fee system is a clear indicator for a more market-based approach to provision of municipal services in China and its further paves the way for foreign investors in municipal treatment facilities.

As China is very eager to absorb expertise in order to built-up its own industrial society, a mere import of foreign technology equipment is often disliked (unless the money to pay for the imports is broad along by the seller with the equipment). Another reason is the high price of foreign technology which often does not correspond with market reality in China. Exceptions are some sector markets, e.g. market for monitoring equipment that can still be characterised as an import market. Even though national investments in the environmental sector are increasing, there still is a financial gap between the current amount allocated by the government for environmental investments and the amount for investments needed for the necessary environmental actions; mission financial resources are still one of the main stumbling blocks for a more rapid development of the market.

The Chinese market for environmental protection technology and know-how is not fully mature yet, but it has left its initial state and is in an advanced and accelerating state of development. On a medium to long term perspective one can definitely expect a positive increase in demand for foreign environmental technologies. Those foreign suppliers, that get familiar with the Chinese market environment now and set up their partner network now, will definitely be in a strong competitive position.

ZHANG Huihui

Programme Officer

*Environmental, Economic and Scientific Co-operation
Embassy of Switzerland, Beijing*

Tel +86 10 6532 2736 ext. 313

Fax +86 10 6532 4353

e-mail: huihui.zhang@bei.rep.admin.ch

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China Schock

by Pierre-Alain Avoyer, Director Far East Operations
SOFI Swiss Organisation for Facilitating Investments

China is fast becoming the “Workshop Of The World”. WTO accession has created euphoria among foreign enterprises. China is the most desirable investment destination in Asia and foreign direct investments are flowing in at a record pace.

Is this the right time to move into China?

The Japanese have a word for it: “Chugoku shoku”, China Schock. And this sense of shock is fast spreading throughout neighboring Asian economies.

The shock of realizing that China is developing into a formidable competitor. Not only in the cheap low and mid-tech products as China is emerging as a reliable producer of high-value and technologically sophisticated products. World-class companies are manufacturing high-end chips, photonics, ceramic casings for catalytic converters, digital switching systems and video-conferencing equipment in China. China is simply becoming one of the most efficient manufacturing hubs in the world in its east and southern seaboard. Costs of production are falling and there is abundant supply of highly motivated and cheap labor in these hyperdynamic coastal areas.

China's neighbors are schocked to see that the most desirable type of global capital, the foreign direct investments (FDI for short) are pouring into China at record pace (FDI rose over 33% year-on-year in January, contracted FDI increased 47% during the same period). Last year China attracted more FDI than South Korea, Thai-

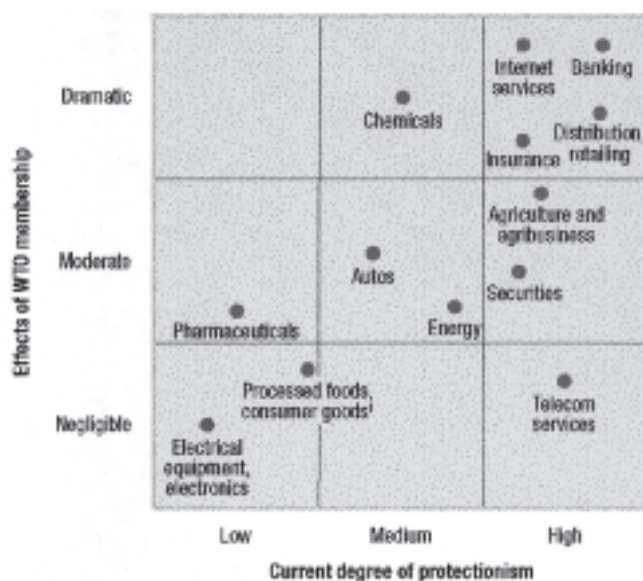
land, Malaysia, Singapore, Vietnam and Indonesia combined. FDI's are critically important for the economic development of Asian economies as they create factories and provide jobs to dislocated rural communities. They facilitate technology and management transfers and they fuel export earnings. They strengthen the competitiveness of a nation.

China is moving up the technological ladder at a speed that its southern neighbors can hardly follow. “It is not clear right now what we can do to compete with China. When it comes to manufacturing, we may not be able to do anything,” says a trade minister of a Southeast Asian country. Japan is also feeling the pinch and its manufacturing sector is vulnerable to China's emergence as a strong manufacturing powerhouse.

Until the Asia crisis of 1997, South East Asia was the prime investment magnet in emerging Asia. China was simply not a viable acceptable option back then. China was perceived as an unstable investment destination. Too difficult, too risky. Only large global transnational companies dared to invest and positioned their start-up losses as investments for the long-term. Foreign investors had doubts over the quality of the workforce, infrastructures, intellectual property protection and the rule of law.

These concerns are rapidly fading and foreign businesspeople realize that industrial parks in some coastal areas are truly world-class and second to none. They can see for themselves that setting up a manufacturing operation in Shanghai/Pudong can be much quicker than in Singapore. And China's labor force is plentiful, disciplined, educated and cheap by Asian and world standards.

Changes in store for China



¹Excludes liquor and tobacco industries, which have historically been highly controlled and will likely continue to be.

Source: United States-China Business Council; McKinsey analysis

China is rapidly turning some of its most developed investment zones into impressive state-of-the-art "Workshops of the World". Companies are making large strategic investments with an eye to serve both the large Chinese market and high tech export markets. I have been contacted recently by Swiss companies with large operations in Thailand and Malaysia who are considering moving operations to China. The motivation behind these moves is to get closer to key customers and to find qualified technical personnel hard to find in some ASEAN countries.

WTO accession will make China a more open market to multinationals. The impact of WTO accession will however be felt differently in various sectors as a recent McKinsey Quarterly shows:

It is clearly in the banking, insurance, distribution and retailing sectors that the WTO impact will be felt the most dramatically even if some protectionist pressures have been felt again recently in the banking sector particularly. China could soon produce 50% of the entire apparel exports of the world, up from current 17% of world's exports. This gives a sense of the magnitude of the impact of the current developments in China not only in emerging Asia but on all emerging markets worldwide.

Tariff Cuts in Imported Goods

China has cut its average tariff rate from 15.3% to 12% on more than 5'000 imported items since the beginning of 2002. The tariff rate cuts are in line with China's commitment to reduce import tariffs to 10% by 2005 as part of its WTO membership. The reductions this year included a cut in the tariff for crude and refined oil to 6.1% while tariffs on vehicles and electronics were cut to 17.4% and 10.7%, respectively. China also wiped out quota licenses on fertilizer, cotton, wool and grain.

China Business Briefing / FEER, April

China Becomes World's Fourth-largest Trade Economy

A report by the WTO indicates that China has for the first time overtaken Canada to become the world's fourth-largest trade economy after the EU, the US and Japan. The report was based on each country's data on import and export of commodities and services in 2001. China's trade volume exceeded the sum of those of the Middle East, Africa and Latin America excluding Mexico.

ChinaOnline, May

Mr. Pierre-Alain AVOYER, Director Far East Operations

Mr. Avoyer is responsible for SOFI's operations in China, Indonesia, Philippines, Thailand and Vietnam. He has 22 years of international management experience working for major U.S. and international companies mainly in Asia. He started his professional life as a Delegate of the International Committee of the Red Cross (ICRC) in combat zones in Africa (Chad, Angola) and Asia (Cambodia, Thailand) and at Procter & Gamble International.

Mr Avoyer has been involved with Asia for over 25 years. He lived and worked 16 years in South East Asia (Thailand, Singapore, Malaysia, Indonesia, Vietnam, Cambodia) leading medium-sized companies. He has a broad experience in general management, marketing of consumer goods and start-up/turnaround situations. In addition to mainstream general management, he has developed an extensive experience in acquisitions and divestments, business relocations, rationalizations and venture capital.

In other sectors (consumer durables, consumer goods, food), well-established state-owned enterprises (SOE's) will compete fiercely with new entrants. The SOE sector might lack world-class management and productivity advantages but they have very strong market positions and customers relations. The two to six year phase-in period transition will give SOE's ample time to prepare for the impact of increased international competition. WTO accession will certainly make competition more intense in many manufacturing sectors and the competition for qualified personnel could become even fiercer. More opportunities. More complexities for new entrants.

Will China be able to comply with the WTO accession commitments? The Chinese government seems determined to comply with WTO accession consequences and is keen to speed up economic reform. But it will also proceed slowly to avoid domestic unemployment. In agriculture alone, employment is expected to fall by 11 million units! In the banking sector's 1.7 million workers, many jobs are at risk. For new entrants, a careful sector-by-sector review of the impact of WTO accession is now necessary prior to market entry.

Experts also expect many companies will now reassess their strategies in China and new entrants will be able to consider new methods of entry. A substantial increase in M&A activity and restructuring of existing JV's is already underway. An entire new ballgame. And probably more complexity and more risks for unprepared entrants.

China is dismantling protectionist regulations. Import quotas and license restrictions are being gradually eliminated. China will need to keep GDP growth levels high to provide a shock absorber to disruptive economic, employment and social dislocations.

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Are you thinking of investing in China?

Need assistance?

- Market entry strategy? Market research?
- Partner search and selection? Site selection?
- Project feasibility? Business plan?
- Negotiation assistance?
- Financial engineering and search of funds?
- Advice on availability of Swiss Government funds?

Call our experienced China Team (our team includes Chinese-speaking consultants) in Zurich at +41-1-249 28 88 for an initial advice with no obligation. Consult our website at <http://www.sofi.ch>.

China risks. Overview

The risks of doing business in China exist but are deemed moderate by most experts.

- **Security and political stability risks** are considered low as China has a tight control of dissent and crime.
- **Legal and regulatory risks** are deemed manageable and improvements are underway.
- On the **macroeconomic** fronts, renminbi devaluation is unlikely and inflation is not a worry any longer.
- **Tax rates** are unlikely to be significantly altered. However tax breaks offered to foreign enterprises will eventually be withdrawn as China implements “national treatment” practice.
- **Labour market risks** will remain persistent as foreign companies will increasingly operate in high-tech rather than labour intensive sectors. A persistent shortage of skilled labour and of well-trained and experienced managers will continue.
- **Financial risks** are still high but decreasing. The banking sector is being restructured. Non-performing loans of state banks are a major unresolved issue. It will become easier to get finance for businesses in China over time.
- **Infrastructure risks** are low as infrastructures are being constantly upgraded.

Is this the right time to move into China if your company is still not there? My answer is a strong yes if your product is in demand in China and if you have strong financial and international management resources.

Doing business in China will always be a very tough challenge for foreign enterprises but the rewards can be enormous for successful ventures.

Swiss business is well positioned to exploit the China opportunities. Recent updates of the investment laws reduces “restricted” investment areas and eases rules on investment in telecoms, gas, heat, water and sewage. The government will facilitate investment in areas which will meet the need of rapid urbanization. The government will continue to encourage investment in sectors such as high-tech industries, agriculture/food processing, environmental protection and export-oriented industries. These are sectors where Swiss companies are strong.

To increase considerably your chances of success, you might want to remember a few useful tips:

- 1 Thorough market research is a must
- 2 Assess WTO accession impact on your particular sector
- 3 Build and cultivate strong relationships with your Chinese partners
- 4 Send your best people in China
- 5 Show an interest in Chinese culture and history
- 6 Be patient and set realistic timescales
- 7 Have a long-term strategy
- 8 Keep smiling and be graceful when things go wrong. Be firm but be gracious. Ability to keep cool is in my experience a key to success and a source of respect in Asia.

Pierre-Alain Avoyer, avoyer_pierre-alain@sofi.ch

Das 21. Jahrhundert – Ende der westlichen Vorherrschaft

(Note from the editor: for the sake of clarity the article has been published in its original language.)

Die ostasiatischen Gesellschaften sind wegen ihrer demographischen Dichte und ihrer gut funktionierenden Kollektivität für den Westen Chance und Herausforderung zugleich.

Das 21. Jahrhundert dürfte zwar kein «pazifisches Jahrhundert» werden. Dazu sind verschiedene Parameter nicht gegeben. Die folgenden Feststellungen sollen deshalb keineswegs als pessimistisch für den Westen ausgelegt werden. Allein das 20. Jahrhundert, für das Oswald Spengler bereits 1919 den «Untergang des Abendlandes» vorausgesagt hat, dürfte in seinen positiven wie negativen Entwicklungen die anhaltende Stärke der westlichen Welt gezeigt haben.

Die Grundbedingung für die weltweite Expansion der europäischen Zivilisation war die schon im antiken Griechenland beginnende Befreiung des Individuums von seiner Gesellschaft. Die Grundlagen der modernen wissenschaftlichen und künstlerischen Entwicklungen waren damit gelegt, die Basis zur globalen technischen und militärischen Vorherrschaft Europas geschaffen.

Vorprogrammiert waren allerdings auch einige grundsätzliche, weltanschauliche Konflikte. Der Laissez-faire-Kapitalismus mit seiner übertrieben egoistischen Sicht rief im Zuge der durch die Industrialisierung hervorgerufenen gesellschaftlichen Probleme eine korrigierende Gegenbewegung auf den Plan. Diese bestand einmal in der englischen Genossenschaftsbewegung um Owen zu Beginn des 19. Jahrhunderts. Mit Marx und Engels ging sie in der Folge im Kommunismus bedeutend weiter. Der europäischen Individualgesellschaft entstand so ein Gegenstück im Bild einer idealisierten Kollektivgesellschaft, in der die Gemeinschaft wieder den Vorrang vor dem Individuum erhalten sollte. Die urgermanische Sippe wurde in diesem Zusammenhang von Engels herangezogen und als Vorbild gebraucht. Doch die Idee des Kollektivs ist pervertiert worden, ja, sie hat als Grundlage des Kalten Krieges die zweite Hälfte des 20. Jahrhunderts in unschöner Weise markiert und dürfte über die horrenden Militärbudgets nicht unwesentlich dazu beigetragen haben, dass letztlich die asiatische Welt ihre Chance erhalten hat. Doch selbst wenn die kommunistische Ideologie von den Machthabern Osteuropas und der UdSSR nicht zu ihren eigenen Gunsten ausgenutzt und pervertiert worden wäre, hätten sich der Sozialismus und seine kollektive Sicht in Europa nicht durchsetzen können. Europas Gesellschaften bleiben Individualgesellschaften, der europäische Sozialismus musste scheitern, da die Ideologie nicht den Grundlagen der betreffenden Gesellschaften entsprochen hat.



Dr. Hans Jakob Roth

Das weltweite Frohlocken über den Zusammenbruch des Sozialismus, der korrigierenden Variante des Individualismus, hat nun leider darüber hinweggetäuscht, dass auch die individualistische Variante der westlichen Individualgesellschaften nahe am Bankrott angelangt ist. Auch dieses Scheitern ist in der zweiten Hälfte unseres Jahrhunderts vorhersehbar geworden. Das Individuum bürdet nicht ungestraft jegliche soziale Verpflichtung einem Staat auf, mit dem es nichts zu tun haben will und an den es letztlich nicht einmal mehr glaubt. Diese Rechnung kann nicht aufgehen, in konjunkturell schwierigen Zeiten schon gar nicht.

Unser Scheitern als Gesellschaft – wir haben es selbst herbeigeführt und sind weiter daran, entscheidende strategische Fehler zu machen. Diese Fehler sind zugegeben massen aus der eigenen Gesellschaft heraus nicht so leicht ersichtlich, geschweige denn korrigierbar. Eine Sicht von aussen ist gefordert, eine andere Perspektive wird mehr und mehr notwendig. Die internationale Welt, an deren Schwelle wir heute stehen, gibt uns in dieser Hinsicht faszinierende Vergleichsmöglichkeiten, an denen wir uns orientieren könnten – und an denen wir uns in Zukunft auch werden messen müssen, weil wir nicht mehr um die Auseinandersetzung mit dieser Welt herumkommen.

Zivilisatorische Dekolonisierung

Mit dem Westpazifik hat sich nun eine Region neben Europa geschoben, die im 21. Jahrhundert eigene Wertvorstellungen und Machtansprüche anmelden wird. Sowohl politisch wie wirtschaftlich haben Ost- und Südostasien das Potenzial erreicht – die Krise scheint dies eher zu bestätigen als zu widerlegen –, die westliche Vorherrschaft in Frage zu stellen. Nach der militärischen Dekolonisierung im Ersten Weltkrieg und der po-

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litischen Dekolonisierung in der Folge des Zweiten, stehen wir heute vor dem letzten Schritt der Relativierung des europäischen Einflusses, der zivilisatorischen Dekolonisierung.

Die zivilisatorische Dekolonisierung hat nur stattfinden können, weil die westpazifische Region mehr und mehr über die wirtschaftliche und politische Macht zu verfügen beginnt, eigene, anders geartete Ansprüche an den Rest der Welt zu stellen. Neue Wertvorstellungen haben sich neben die europäischen Vorstellungen gestellt und dürften künftig auch vor internationalen Abkommen kaum Halt machen. Sicher ist jedenfalls, dass ein Abkommenssystem, das nach dem Zweiten Weltkrieg auf dem westlichen Willen zur Vermeidung weiterer kriegsrischer Auseinandersetzungen und auf der Erkenntnis der Fehler aus den Handelspolitiken der Dreissigerjahre basiert, wie das Gatt oder die Nachfolgeorganisation der WTO, kaum in der Lage sein dürfte, einem tatsächlich internationalen Handelssystem, das diese verschiedenen Wertvorstellungen vereinen soll, in ihrer heutigen Form eine tragfähige Grundlage zu bieten.

Allein durch ihre Existenz entsteht somit die Herausforderung der ostasiatischen Kollektivgesellschaft, die sich neben die westliche Individualgesellschaft zu schieben beginnt. Da es sich bei diesem ostasiatischen Muster wirklich um ein anderes Gesellschaftssystem handelt, wird schon aus den Prioritäten ersichtlich, welche die ostasiatischen Länder in ihren Gesellschaften verfolgen. Die individuellen Belange werden dort im Gegensatz zur westlichen Gesellschaft, in der sie alles dominieren, lediglich im Rahmen der Gemeinschaft berücksichtigt. Neben den Werten des Individuums rückt damit auch der Wert der Gemeinschaft in den Vordergrund.

Sind Menschenrechte relativ?

Das westliche Scheitern sowohl der alternativen kollektivistischen Richtung mit dem Ende des sowjetischen Kommunismus als auch der individualistischen Richtung durch das unaufhörliche Ansteigen der gesellschaftlichen Probleme im Zuge einer ungebremsten Individualisierung rufen geradezu nach einer Korrektur. Kursänderungen allein, wie sie eine Zivilisation aus sich selbst hervorzubringen vermag, sind den Erfordernissen der Zeit nicht mehr gewachsen, umso mehr, als Linke und Rechte in einem breiten Mittelfeld ihr Profil und ihren Ideenreichtum verloren zu haben scheinen.

Der wirtschaftliche Erfolg echter Kollektivität in den ostasiatischen Massengesellschaften ist sowohl eine Herausforderung als auch eine Chance. An der neuen Andersartigkeit lassen sich vergleichend die Stärken und Schwächen der jeweiligen Zivilisation feststellen, der östlichen so gut wie der westlichen.

Die Gemeinschaft als Hort der Geborgenheit – diese Seite ist im Westen längst begraben unter den Idealen der *liberté, égalité und fraternité*. Mit ihrem Begräbnis hat der Staat die soziale Verantwortung, die *égalité* und die *fraternité* wahrzunehmen, zugunsten einer sich letztlich selbst zerstörenden, momentan noch alles überragenden *liberté* des selbstsüchtigen Individuums aufgegeben.

Natürlich hat die Geborgenheit ihren Preis, den Preis der Beschränkung des individuellen Freiheitsraums. Nichts ist für den westlichen Menschen im Fernen Osten belas-

tender als das Fehlen seiner Ellbogenfreiheit und damit seiner individuellen Freiheit gemeinhin. Erst mit längerem Aufenthalt, mit fortschreitender Sozialisation, wird diese Einschränkung auch vom Westen als positiv empfunden.

Tatsache bleibt, dass in der heraufziehenden Internationalität, beispielsweise in der Frage der Menschenrechte, die Grundlagen neu diskutiert und definiert werden müssen. Dies darf nicht mit einer Akzeptanz bestehender Zustände in Asien gleichgesetzt werden. Doch so, wie sich die Menschenrechte heute präsentieren, ist ihre Ausformung allein der westlichen Individualgesellschaft nachempfunden. Das geht schon allein daraus hervor, dass in der Uno-Menschenrechtserklärung die Gemeinschaft gerade noch im zweitletzten Artikel erwähnt wird – der letzte betrifft den formellen Schluss der Erklärung. Mit Recht hat ein chinesischer Rechtsprofessor deshalb nach einem Vortrag über Menschenrechte in Beijing bemerkt, westliche Intellektuelle sprächen immer über die Würde des Menschen, wo denn letztlich die Würde der Gemeinschaft stehe? Es ist diese Frage, die in ihrer ganzen Tragweite auch die gesamte Palette menschlicher Existenzmöglichkeiten aufzeigt.

Personengebundene Loyalität versus Sachloyalität

Auch die wirtschaftliche Herausforderung Ostasiens hat neben rein wirtschaftlichen Faktoren auch eine sozialpsychologische Komponente. Diese ergibt sich vor allem aus der anders begründeten ethischen Grundlage des Lebens allgemein und aus der daraus abgeleiteten unterschiedlichen Dynamik des wirtschaftlichen Wettbewerbs. «Der dritte Weg» von Ota Sik kann kein echter dritter Weg sein, da er sich ebenfalls auf dem Hintergrund einer Individualgesellschaft ansiedelt. Hingegen präsentieren die ostasiatischen Volkswirtschaften aufgrund ihrer kollektiven Natur eine echte Alternative zu den bestehenden Systemen von Markt oder Plan, wie sie im westlichen Umfeld entwickelt worden sind.

In ethischer Hinsicht sind die asiatischen Gesellschaften insofern auf einer anderen Basis angesiedelt, als der ethische Bezugspunkt immer auf einer konkreten Personenbeziehung, nie auf einem abstrakten Moralprinzip beruht. Dies geht einerseits aus den Denkunterschieden hervor, die sich auf eine dynamische Wirklichkeit konzentrieren, in der alles, ausser persönlichen Bezugsverhältnissen, im Fluss ist. Andererseits liegen die Gründe in der umfassenden Wichtigkeit, die diese Gesellschaften dem sozialen Bereich, insbesondere den persönlichen Beziehungen, zukommen lassen. In ostasiatischen Gesellschaften steht die personengebundene Loyalität über der Sachloyalität, was in westlichen Augen in vielen Situationen einem Verrat der eigenen Seite gleichkäme. Ausserhalb dieser Personenbeziehungen jedoch gelten die Gesetze der freien Wildbahn: jeder für sich und gegen jeden anderen.

Unsere Denkmuster sind auf ein logisch-abstraktes Erfassen der Wirklichkeit ausgerichtet, das der dynamischen Charakteristik dieser Wirklichkeit zu wenig Rechnung trägt. Das pragmatisch-konkrete Denken Ostasiens und die daraus abgeleiteten Handlungsmuster sind dem westlichen in vielen aktuellen Situationen überlegen. Die ostasiatischen Zivilisationen sind Massengesellschaften,

wie sie der Westen nie gekannt hat. Der Begriff der Massengesellschaft hat sich in Europa auf dem politischen und wirtschaftlichen Hintergrund des ausgehenden 19. Jahrhunderts und unter dem Einfluss der neuen psychoanalytischen Wissenschaft herauszubilden begonnen. Menschenmassen in psychisch fragwürdigen Situationen, Massenhysterien, Paniksituationen und Volkszorn sind Ansatzpunkte des Studiums der Massengesellschaft gewesen, das Gustave le Bon 1897 begonnen hatte. Demokratisierung in Europa und Industrialisierung in den USA führten dann zur Ausformung des Begriffs, der eigentlich auf eine Individualgesellschaft gar nicht angewendet werden dürfte. Ostasien bietet hingegen die Möglichkeit, Massengesellschaft als Normalzustand studieren zu können. Demographische Dichte und psychische Nähe während Jahrhunderten sowie wirtschaftliche Notstände haben die Bevölkerungen gezwungen, zusammenzustehen und im Interesse von sozialer Geborgenheit auf entsprechende individuelle Freiräume zu verzichten.

In der Massengesellschaft ist beispielsweise eine Trennung in Gesellschaft, Politik, Wirtschaft und Recht kaum denkbar, die verschiedenen Bereiche sozialen Geschehens gehen fließend ineinander über. Das heisst, dass der Staat einen ganz anderen Einfluss auf das Wirtschaftsgeschehen hat als in einer westlichen Zivilisation und dass dieser Einfluss selbst sich in einer völlig anderen Art im Wirtschaftsgeschehen manifestiert als bei uns. Dieser Unterschied dürfte in Japan am ehesten ersichtlich sein, wo – übertrieben ausgedrückt – staatliche Wünsche an die Wirtschaftsführer herangetragen und von diesen ausgeführt werden. Umgekehrt setzen Politiker die Vorstellungen der Wirtschaft in ihrer Arbeit um. Gesetze und Dekrete braucht es dazu meist nicht. Das Wissen, dass die Wirklichkeit fließend ist, hat den Glauben in ein statisches, rechtliches Normensystem nie richtig entstehen lassen.

Verlockungen des chinesischen Marktes

Die Eigenschaften des Massenmarktes als dem Markt der Massengesellschaft sind tatsächlich anders als die einer westlichen individualistischen Gesellschaft. Unter Massenmarkt ist nicht der Markt der Individualgesellschaft zu verstehen, die mittels Automation eine grössere Nachfrage zu bedienen wusste. Massenmarkt ist der Markt der Massengesellschaft, abgehoben von jenem der Individualgesellschaft, allein schon wegen der Dimensionen, um die es geht. Im chinesischen Massenmarkt ruht der Mythos für jeden westlichen Geschäftsmann, welcher 1,3 Milliarden Chinesen je eine Seife, eine Zahnbürste oder ein Veloventil verkaufen möchte. In den Dreissigerjahren entstanden die Romane von Hobart, von denen einer den schönen deutschen Titel «Öl für die Lampen Chinas» trägt und von den Bemühungen einer amerikanischen Ölgesellschaft berichtet, jedem Chinesen eine Öllampe und in der Folge das benötigte Öl zu verkaufen. Der chinesische Massenmarkt hat den westlichen Produzenten immer schon gelockt und wird dies auch noch einige Zeit tun. Auch auf internationalen Märkten sind wir mehr und mehr mit der asiatischen Massenproduktion konfrontiert, denn dort, wo der asiatische Heimmarkt für die Massenproduktion nicht mehr

ausreichte, wie in der modernen Elektronik- oder Textilindustrie, drängte Ostasien mit seiner Massenmarkphilosophie auf die internationalen Märkte vor. Der ostasiatische Expansionsdrang ist nicht allein ein Phänomen der wirtschaftlichen Entwicklungsstrategie – export-led growth –, sondern mindestens so sehr ein Phänomen der sozialen Dynamik. Er ist letztlich soziokultureller Natur.

Dass der Massenmarkt ein anderes Phänomen darstellt als jenes der westlichen Märkte, geht auch daraus hervor, dass er vom Produzenten anders angegangen wird als der Markt einer Individualgesellschaft. Das östliche Individuum sucht in seiner Determination als Konsument im Massenmarkt andere Befriedigungen als der westliche Konsument im Markt der Individualgesellschaft. Der Wagen von Mercedes-Benz wird auf dem technisch bestmöglichen Niveau entwickelt und dann dem Konsumenten schmackhaft gemacht, der ihn einmal kaufen soll. Der Produzent geht bei uns mittels Marketing gar so weit, dem Konsumenten einzubläuen, was für ihn gut ist; im Übrigen eine Problematik, mit der sich vor allem unsere Dienstleistungsunternehmen befassen müssten. Der Satz «Der Kunde ist König» steht nur, weil er es im westlichen Umfeld eben gerade nicht ist.

Der asiatische Produzent hingegen schneidert sein Produkt auf den Leib der Masse. Hanae Mori ist bekannt dafür, dass sie weltweit Informationen sammelt und diese zu Kostümen zusammensetzt, von denen sie weiss, dass sie den ungefähren Vorstellungen der grösstmöglichen Zahl von Frauen entsprechen. Sie kommt damit dem menschlichen Empfinden entgegen, das gerade in diesen Gesellschaften besonders stark darauf abzielt, in der Gesellschaft, in der man sich bewegt, möglichst konform dazustehen und eben nicht, sich möglichst markant vom Hintergrund abzuheben, wie dies ein Gianni Versace oder ein Yves Saint Laurent im europäischen Modeumfeld zu erreichen versucht.

In der heutigen Vernetzung der Märkte treten diese verschiedenen Sichten in Konkurrenz, das westliche Vorgehen wird zumindest in Frage gestellt. Da das westliche Produkt aus einem Individualmarkt mit höheren Produktionskosten stammt, ist es auf den billigeren internationalen Konsumgütermärkten in bestimmten Sektoren unter Druck geraten oder bereits aus dem Markt gedrängt worden. Im wirtschaftlichen Bereich hat die Herausforderung Ostasiens mindestens seit dem japanischen Expansionsdrang der Sechzigerjahre begonnen, wobei Japan heute selbst von seinen asiatischen Nachbarn auf Drittmärkten bedrängt wird.

Im Zeichen der Basisdemokratie

Schwieriger wird die Einsicht einer existierenden Herausforderung im politischen Bereich, da wir gerne die westliche Demokratie als höchstes staatspolitisches Gut darstellen. Dieses politische Dogma soll hier thesenhaft in Frage gestellt werden. Westliche Demokratie kann – zumindest heute – wie englisches Fair Play und wie der oben erwähnte Kunde, der König sein soll, gesehen werden: zuerst einmal als Korrektiv, das wir benötigen, weil Demokratie unserer Individualgesellschaft gerade fehlt.

(Fortsetzung nächste Seite)

Die Rücksicht auf die Gemeinschaft muss von Staats wegen mit einem demokratischen System institutionalisiert werden, damit auch auf die Schwächeren der Gemeinschaft Rücksicht genommen wird. Nichts zeigt den Irrtum der Demokratie deutlicher als ihr Funktionieren – oder vielmehr ihr Nichtfunktionieren – in der heutigen Schweiz.

Unsere Individualgesellschaft, in der sich das Individuum jeglicher sozialen Verpflichtung entzogen hat und in verabsolutiert egoistischer Weise nur noch den eigenen Zielen nachlebt, kann ohne dieses korrigierende Element der Gewichtung der Individualinteressen im grösseren Sozialverband nicht leben. Demokratie ist ein Konstrukt, um die individualistische Gesellschaft zur sozialen Verantwortung zu zwingen. Wie schlecht dieser Zwangsmechanismus gerade heute wirkt, geht allein schon daraus hervor, dass die Minderheiten nicht einmal mehr bereit sind, Mehrheitsbeschlüsse als das zu akzeptieren, was sie sind, als Beschlüsse einer Mehrheit nämlich. Die Gesellschaft zerfällt in einen Haufen von Individualinteressen, die kaum mehr durch gesellschaftliche Normen zusammengehalten werden können. Im Strassenverkehr kann die Disziplin im Interesse aller nur noch durch drastische Bussen gewährleistet werden.

Anders die ostasiatischen Gesellschaften. Diese sind von einer Rücksichtnahme in den unmittelbaren zwischenmenschlichen Belangen charakterisiert, die weit über das hinausgehen, was wir in Europa kennen. Der Einbezug des letzten Mitarbeiters in einen Unternehmensentscheid in Japan ist ein Zeichen von Basisdemokratie, wie es im Westen nicht zu finden wäre. Die Beratungszeit für einen japanischen Entscheid ist aus diesem Grund in der Regel relativ lang, die Durchsetzung eines Entscheids erfolgt dann jedoch ausgesprochen rasch, da die Diskussion schliesslich mit allgemeinem Einverständnis gefällt worden ist. Nicht so im Westen. Der Entscheid fällt auf relativ hoher Ebene oft in erstaunlich kurzer Zeit – doch danach folgt die Überzeugungsarbeit an den betroffenen Mitarbeitern, welche diesen Entscheid in die Wirklichkeit umzusetzen haben. Demokratie hat keinen Platz im Entscheidungsprozess einer westlichen Gesellschaft.

Damit soll nun nicht ein Besserein der östlichen Gesellschaften angedeutet werden. Der ausgesprochen guten Berücksichtigung des Mitglieds der Gemeinschaft steht in erschreckender Weise die Lage des Aussenseiters gegenüber. Während die Gruppenmitglieder auf Schutz und Rücksicht der Gemeinschaft zählen können, fällt ein Aussenseiter total ins Leere. Er ist, wie Lin Yutang es einmal ausgedrückt hat, nicht vogelfrei in romantisch-positiver Freiheit, die selbst den alten menschlichen Traum des Fliegens einschliesst, er ist «zum Abschuss frei» und kämpft tagtäglich um sein Überleben.

Doch sollte die östliche Variante der Gesellschaft mindestens dazu dienen, uns auf Fehlentwicklungen unserer eigenen Gesellschaften aufmerksam zu machen und unsere sozialen Strategien zu überdenken. Aus einem Vergleich mit dem anderen Gesellschaftsmuster, das wegen der geographischen und der sozialen Distanz tatsächlich von unseren Mustern unabhängig ist, lassen sich grundlegende Erkenntnisse über uns selbst ableiten. Sollten wir uns diesen Einsichten allerdings verschliessen und uns in der neuen internationalen Wettbewerbssituation unseren falschen Überzeugungen hingeben, dann wer-

den Strukturbereinigungen hinausgeschoben, und jede verpasste Gelegenheit wird uns bei einer späteren Behebung mehr kosten.

Ob es eine gute Ehe wird?

Angesichts der Herausforderungen, mit denen wir im 21. Jahrhundert konfrontiert sein werden, hat es wenig Sinn, sich abzuschotten. Das laufende Schrumpfen der Welt bringt uns mehr und mehr mit Gesellschaften und Menschen in Kontakt, die uns fremd sind und deren Wertmuster nicht mehr mit unseren übereinstimmen. Die Berührungspunkte werden sich zu Konfliktstellen entwickeln, wenn wir nicht lernen, mit diesen neuen Mustern umzugehen. Die Konfliktregelungsmechanismen unserer Gesellschaft sind für Konflikte zwischen uns entwickelt worden und sind als Ausfluss unserer eigenen Gesellschaft zu verstehen. Die interkulturellen Kontaktstellen werden uns mehr und mehr zeigen, dass unsere Konfliktregeln nicht unbedingt denen anderer Gesellschaften entsprechen. Werden wir uns in der Folge den anderen anzupassen haben? Oder werden sich die anderen unseren Regeln beugen müssen? Die wahrscheinlichste Entwicklung dürfte die sein, dass beide Seiten mit Konzessionen zur Lösung beitragen müssen.

Es sind unsere Fähigkeiten, auf die wir uns für die Herausforderungen des 21. Jahrhunderts besinnen müssen. Falls wir dies nicht freiwillig tun, werden wir über kurz oder lang dazu gezwungen. Die ostasiatische Herausforderung wächst und wird früher oder später verlangen, dass wir uns mit ihr beschäftigen. Wir werden uns namentlich dann nicht entziehen können, wenn wir unser heute erreichtes Lebensniveau halten wollen. Wir werden in Zukunft ähnlich einer erzwungenen Ehe miteinander leben müssen, ob wir dies mögen oder nicht. Scheidung ist nur noch bedingt möglich, da der Planet uns den Raum für ein getrenntes Leben heute nicht mehr gewährt. Das Management dieser Ehe wird darüber entscheiden, ob wir in Zukunft in Kooperation oder in Konfrontation miteinander leben werden.

Hans Jakob Roth,

1951 geboren, promovierte nach Lizentiaten in Geschichte und Volkswirtschaft sowie Studienaufenthalt in London, Beijing und Rom in Wirtschaftsgeschichte in Basel. 1982 trat er in den diplomatischen Dienst des Eidgenössischen Departements für Auswärtige Angelegenheiten ein; nach Tätigkeiten in Bern, London und Tokyo war er ab 1990 Stellvertreter des Botschafters in Beijing. 1995–1997 baute er in Zürich die Schweizerische Asienstiftung auf. Ab 1. März 1997 hat er in der politischen Abteilung V die Sektion Kultur und UNESCO übernommen. Seit August 2001 ist Hans Jakob Roth Schweizerischer Generalkonsul in Schanghai. Die vorliegende Analyse entspricht einer persönlichen Einschätzung. Sie widerspiegelt nicht die offizielle Sicht des Departements für Auswärtige Angelegenheiten.

40 Tips of How to Do Business in China

Put half a dozen people together in a room with a wealth of experience of dealing with China and running businesses in the country, give them some sustenance and ask them to come up with tips on how to do business in China. And what do you get? Forty priceless tips, which are set out below. The advice is intended for those companies which have already made the decision to enter the China market – not for those who are as yet undecided – and aims to make the path ahead that much clearer.

A year or so ago, an ad hoc group of the Shanghai British Chamber of Commerce concerned with small and medium-sized enterprises decided to pool their thoughts to give guidance to British SMEs about to establish a business in China. The group comprised a dozen people, each of whom listed on a wall panel those points they considered to be sound advice. All points were then debated. Some of the points were contested and these have not been included. This is not to say that they were not relevant but that they were not considered to be universally relevant. Hence the points that were left, and that are listed below, received the unanimous agreement of the group. They are simply written but distill hard-earned experience.

What is listed is what appeared on that wall except for comments in italics that are intended to clarify the shorthand of the listed points. They are in no particular order, so read through them all.

1. Get a consular briefing before you start. *(And let the consulate know you are coming in advance.)*
2. Don't use agents. *(You won't know what is going on, whom to trust, how to manage a change of allegiance, whether a lack of success is because of your product/service or agent.)*
3. Don't bother to come if your product or service is not state-of-the-art.
4. Start by trading. *(Because you shouldn't invest until you have tested the market.)*
5. Send your best person. *(China is one of the world's most complex markets. Your second best person will fail. Whatever you do, don't recruit locally for the top post. If you don't have a tried-and-tested person willing and able to come for five years, then don't even try.)*
6. Do your own market research. *(Use a professional adviser by all means, but you should direct and participate in the work which means you have to spend at least some time in China to do so.)*
7. First, look at Shanghai. *(With a population the size of Australia and the richest region, if you can't make it here you can't make it anywhere else in China.)*
8. Lean on a complementary company. *(In the third millennium you are not the China pioneer. If you make light-bulbs then talk to a British light-bulb holder manufacturer who has already set up here.)*
9. Fire, steady, aim. *(Give it a try, learn from the experience and then make your longer-term plans.)*
10. Target existing international customers. *(Build on your existing client base first, leave the Chinese state-owned enterprise market until (a lot) later.)*
11. Start with a representative office.
12. Don't over-invest.
13. Take advice to understand the Chinese structure of "your" industry.
14. Identify niches. *(Unless you target the right micro-market you will fail.)*
15. Don't rush. *(China won't go away, but you might if you rush it.)*
16. Find ways to invest less. *(This is not the same as point 12; it is meant to indicate that there are unconventional ways of doing things that may not be the obvious route.)*
17. Do invest in local staff and networks.
18. Focus geographically.
19. Learn from other's experience.
20. Expect it to take twice as long and cost twice as much. *(Although, of course, still be profitable and with positive cash flow. Those of us who have been here many years still hear Chinese saying that "you must invest for the future". We tell them we have and the future has come: in other words, if they want a deal with us it must be on sound commercial terms.)*
21. You must have a powerful China champion back in HQ. *(You need a two-man team; your own person prepared to live in China plus a senior UK patron.)*
22. Don't borrow. *(If you don't make money from the start you have the wrong formula.)*
23. When you finally expand go for a wholly foreign-owned enterprise. *(This is one of the most complex simplifications. The fundamental point is that you must have control.)*
24. Sell a product plus service mix. *(Products can and will be copied, and consulting on its own is a tough business to establish.)*
25. Be prepared to lose your China investment.

26. Be prepared to be flexible. *(One of the biggest issues for a new entrant is the management of the cultural differences. You cannot operate here as you would in the UK although you can, and should, continue to respect Britain's intrinsic values because that will gain you respect and hence good business.)*
27. Beware intellectual property rights. *(Be aware (not necessarily beware) China has strong IPR laws which will soon be stronger. It has very weak enforcement which will remain weak for the foreseeable future. If your product can be copied successfully, it will be. If you have continuing innovation and your customers will learn that the pirated copies of your product are inferior, then you can succeed.)*
28. Communication skills are vital; Chinese language is not. *(But it helps!)*
29. Don't pay bribes. *(You can do honest and good business. Apart from the ethical issues, if you don't get involved you end up dealing only with honest people because the crooks slink away.)*
30. Pay sales commission on cash received. *(So your sales staff are motivated to sell to reliable customers.)*
31. Commission should be calculated on margin and not turnover.
32. Bring the chief executive (for an SME usually the owner) to China and don't featherbed him/her. *(Let the boss see China in the raw so that the nature of the challenge is clear from the start and at the top.)*
33. Cash is King; don't give credit. *(“Don't give credit” is not a simplification of a complex situation. In China “credit” is synonymous with “gift”. Bad debts are not recognised under Chinese accounting practice.)*
34. In China, ignorance of the law is an excuse.
35. You must find a Chinese ally. *(To help in negotiating such issues as Point 34.)*
36. Be prepared for the signed contract to mark the start of negotiations.
37. Chinese law is advisory only. *(That is the reality.)*
38. Chart a course through the grey areas. *(Little is black and white and the remainder demands very careful navigation.)*
39. Make distribution a top priority. *(Ultimately the hardest problem to solve, but don't even try on day one.)*
40. For all good advice there is an exception.

Source: China-Britain Trade Review

Words of Warning

First, the advice given is relevant to the business set-up stage and hence valid for maybe the first one to three years. There are different factors once the next step needs to be taken. For example, SMEs will be wise to avoid the use of agents on Day 1 but foolish not to be using them later once the SME has itself developed its own understanding of China and is in a position to choose the most appropriate agent(s).

Second, this advice applies specifically to SMEs. There may be some gems of advice for all companies, but larger firms will have other issues to consider and a wider range of entry options.

Finally, if you follow our advice and it works the Shanghai British Chamber of Commerce is happy to share the credit. If it doesn't, you only have yourself to blame!

Your Company in the P. R. of China

Are You Satisfied with its Market Performance?

The Problem

A Foreign Invested Enterprise (FIE) is for a few years present in China. The production has been successfully established and the products meet the quality standard required, but the market performance of the FIE lacks behind the initial expectations?

The Analysis

The reasons behind such failure can be located either (a) in an overestimated market size, (b) the choice of a Joint Venture partner which had not the market access as he had claimed or (c) the failure of setting up the FIE's own powerful sales & distribution network.

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Possible Solutions

The latest developments in China facilitate the strategic restructuring of a FIE to improve its market performance.

On the one hand, with China's accession to WTO some of the barriers for a direct market access of an FIE have been removed. Specifically it means that a FIE can now be engaged in trading activities (which was not possible before). The relaxation of the relevant government regulations puts a FIE in the position to not only sell the products with a locally added value but also to sell and distribute imported products via the same company. This enables the FIE to market an optimal range of products and its success does not any longer depend only on the market success of its locally produced products.

On the other hand, mergers have become in China a more often used approach to reach either a critical size or to realize quick and sustained growth. In case a FIE's present PRC distribution network or the network of its

local joint venture partner has not the necessary market access, it can – as alternative or supplementary strategic move – establish an additional Joint Venture with a local sales & distribution company or merge its present China operations with another local company who really has the required market access.

Conclusion

A range of products in line with the market demand and an enhanced access to the market with a vertical integration should help improving the market performance of a FIE.

For further information contact:

Pacific Consult AG

Morgartenstrasse 6 / CH-8004 Zürich

phone: 01.291.2211

The Fast Way to China

As the People's Republic of China joins the WTO, the country continues to open up its economy. The government authorities have recognised the importance of foreign investors' direct investment in China's economic development. Together with SGS, a joint programme has been developed to facilitate foreign direct investment in China. This new service is available to investors from selected countries under the name of "SGS FasTrade FDI Valuation China".

Many foreign enterprises have set up operations in the attractive markets of China for production or distribution. Newly contracted foreign direct investment in China totalled USD 69 billion in 2001, up 13% over the same period in 2000. It is widely recognised that direct investment by foreign enterprises has played an important – and in the past decade strongly growing – role for the economic development of the P.R. of China.

Almost 70% of the total imports of USD 225 billion in 2000 were linked to shipments of investment equipment for joint ventures with Chinese partners or for wholly foreign-owned enterprises. Nevertheless, implementation of foreign direct investment ("FDI") projects is known to be time-consuming and difficult to plan. Imports of equipment for FDI projects are subject to the ordinary border clearance applicable to all imports, and also have to undergo a statutory valuation required by Chinese law. This valuation occurs partly when the individual shipments arrive, whereas the final valuation is reconciled before the commissioning of an FDI project and the start-up of its operations. The final valuation determines the capital ownership ratio in foreign-invested enterprises, and checks investment incentive eligibility of FDI projects in China. This final valuation occasionally provokes last minute disagreements and therefore costly delays. The mandatory valuation of imported equipment for FDI projects therefore often leads to problems and a lack of transparency, with corresponding delays and additional costs, in managing FDI projects in China.

To facilitate FDI projects in China after the accession to the WTO, the relevant government authorities of China and SGS have jointly developed a programme, under the name SGS FasTrade FDI Valuation China, to facilitate foreign direct investments in China by making the management of FDI projects more efficient.

The Chinese government has accredited six subsidiaries of SGS, including SGS Switzerland SA for this new service that is now available to investors from selected countries.

SGS FasTrade FDI Valuation China shifts compliance with Chinese government regulations outside China, before the first shipments of equipment from the investor's country, or from the countries of supply, occur. Investors use SGS FasTrade FDI Valuation China to defuse possible problems occurring in the border clearance process and the final commissioning of their FDI projects in China already in their home country, or in the countries of supply. The management and implementation of for-

eign direct investment projects is thus facilitated, accelerated and rendered more efficient.

The key advantages of SGS FasTrade FDI Valuation China to investors are as follows:

- Reduction of costs and project administration;
- Increased timeliness and transparency of shipments of FDI equipment to China, resulting in increased planning precision and less cost overruns of FDI projects;
- Independent third-party valuation of FDI equipment outside China, but according to the laws and standards of China;
- Integration of valuation in the planning of shipments and therefore improved logistics planning of entire FDI projects in China.

Other advantages of SGS FasTrade FDI Valuation China to foreign investors in China:

- An SGS project manager serves as a dedicated contact in the country of the investor's choice, which can either be the home country of the investor or the country from where he manages his FDI project in China;
- The investor and the SGS project manager discuss the FDI project in China and the procedure for integrating the FDI valuation of equipment according to Chinese standards in the overall project planning;
- Other verification, testing and certification services of SGS that can make implementation of the FDI project faster are also integrated in the planning and logistics;
- FDI Valuation will mostly be based on the analysis of documentary evidence, and only in some cases on the physical inspection of equipment as per Chinese government requirements;
- Valuation will be completed outside China prior to the arrival of equipment in China, according to the prevailing Chinese laws and standards;
- For each shipment, an "SGS Overseas Valuation Report" is issued, and the relevant Chinese authorities are informed to allow for preparation in advance for the arrival of FDI equipment.
- Valuation results are reconciled after the arrival of the last shipment, which will facilitate the final valuation of FDI projects and the entire process is expected to be completed faster, and more efficiently and effectively.

SGS FasTrade FDI Valuation China facilitates the implementation of FDI projects of foreign investors in China. The statutory valuation of FDI equipment mandated by Chinese law can be performed outside China and even before the first shipments, yet in full accordance with the applicable Chinese standards. This promises to make the implementation of foreign direct investment projects in China faster, more transparent and easier to plan, because problems possibly arising shortly before the commissioning and start-up of operations are already addressed at the planning stage and monitored continuously.

For more information please contact Claudia Kraus at SGS on +41 61 365 65 01

Qingdao and Weifang, Places for Swiss Business?

*In line with the Economic and Commercial Section's target to expand its activities outside the Beijing region, a trip to Qingdao and the nearby city of Weifang was organized. Qingdao and Weifang are both located in Shandong province and according to the **Swiss Business: China Directory 2001**, 19 Swiss companies are doing business there, of which 14 are registered in Qingdao and one in Weifang. The travel dates were selected to coincide with the 2001 China International Electronic and Household Appliance Exposition. The leading Chinese electronic and household appliance manufacturers Haier, Hisense and Aucma are all located in this Shandong port city.*

Shandong

Shandong Province is a significant coastal province in East China. Located in the lower reaches of the Yellow River, it borders on the Bohai Sea and the Yellow Sea. Shandong has a population of 90.79 million (March 2001) and an area of 156,700 sq. km. The province has large deposits of petroleum, natural gas, coal, iron, diamonds and bauxite. Its gold output ranks first in China. The Shengli Oilfield, the country's second biggest crude-oil producer, is located in northwestern Shandong near where the Yellow River discharges into the Bohai Gulf. Xindian in Zibo is a rising chemical industrial center.



Qingdao

Located at the southern tip of Shandong Peninsula, Qingdao has a population of 7,066,500 and covers an area of 10,654 sq. km. Qingdao is a key economic center and open coastal city in China and one of China's important major trading ports and one of the top fifteen hundred-million-ton ports in the world. The annual cargo handling

capacity in 2000 exceeded 86 million tons.

Tourism contributes considerably to the local GDP. Every year the city receives 13.11 million visitors. Qingdao is well connected by highways and railways to the Chinese hinterland. Over 300 flights a week are linking the city with major national cities. Some international flights depart and arrive Qingdao as well.

The local economy in Qingdao has maintained a rapid growth. The 2000 GDP reached RMB 115.12 billion, an increase of 15.2% over the previous year. Textiles, food, machinery, chemical and household electric appliance industries are the backbone of its traditional strong manufacturing industries. Financial and insurance industries are expanding rapidly. International companies such as Degussa, Mitsubishi, Bombardier, Lucent Technologies, Coca-Cola have invested in this coastal city.

A meeting with **Qingdao Hi-Tech Industrial Park** QHIP was arranged for the Embassy staff. QHIP tries to lure companies from the following industries to its facilities: IT, biological engineering, electromechanical integration technology, marine biological and pharmaceutical technologies. Great interest was also demonstrated in developing the tourism potential of Qingdao and especially the famous Laoshan region to the north east of the city. The incentives offered to investors by QHIP are similar to other comparable industrial parks and hi-tech zones in China. More than other regions, however, QHIP is looking for low emission and low polluting industries. The visit to the **2001 China International Electronic and Household Appliance Exposition** was very impressive. The show, open to the public, took place in the modern, brand new, three-story exhibition hall located in the QHIP. Major exhibitors came from Qingdao (Haier, Hisense and Aucma).

The Swiss business community is rather small but well established in the city. **Nestlé**, **ABB** and **Ciba** are among them, but as a major port city, Qingdao offers good business opportunities to freight forwarders and related service oriented companies. The Embassy staff paid field visits to Swiss companies: **Qingdao Union Lace Co., Ltd.**, **Qingdao Ciba Dyes Co., Ltd.**, **Qingdao Ciba Pigments Co., Ltd.** and **Hidrostal (Qingdao) Pumps Co., Ltd.**

Weifang

Weifang, a city 1.5 hours car drive from Qingdao, its economy is dominated by agriculture, food processing, chemical, machine manufacturing, paper and packaging production. Weifang is renowned as **the World's Kite Metropolis** and the yearly kite festival since 1984 attracts guest and participants from all over the world. Transportation here is convenient, with national highway 206 and provincial highway such as Xiaying-Xiaoguan

(continued on next page)

Highway, Yangzi-Ganyu Highway, Jinan-Qingdao Highway meets here.

The city is home to **Weifang Fresico Food Industries Co., Ltd.**, a joint venture company between Fredag Holding AG of Root, Luzern, COFCO in Beijing and Sinamex of Singapore. Fresico started its operation about four years ago. Further expansion and investment are planned. Most of Fresico's products are in the specialty premium poultry sector. They are destined both for the Asian market and for export to over 14 countries worldwide.

Are Qingdao or Weifang places for Swiss businesses?

Qingdao and Weifang are definitely places where other Swiss companies could invest or establish a foothold in China.

Travel report by Erwin Lüthi

*Deputy Head of the Economic and Commercial Section
(at time of travel)*

*and Zhuang Bo, Trade Officer
Economic and Commercial Section
Embassy of Switzerland, Beijing*

Xi'an – the Heart of China and Door to the West

Xi'an, also known as Chang'an in ancient times, is located on the Central Shaanxi Plains (population 35 million) in the Northwest of China. With a total area of 9,983 km, Xi'an exercises jurisdiction over 8 districts and 5 counties with a population of more than 6 million. As one of China's 6 metropolitan areas, Xi'an has a history of more than 3,100 years. While Xi'an belongs to the Northwest of China, it actually is located in the centre of China. It was a world famous ancient capital city. From the 11th century B.C. on, for a period lasting more than 1,100 years, it has enjoyed a reputation as one of the 6 great ancient capitals in China where rich relics remain. It is one of the four ancient capitals of world, along with Athens, Rome, and Cairo. The eighth Wonder, "Terra Cotta Warriors" and the horses of the Qin dynasty were found here. It is a rich land with a good location. Today Xi'an is the largest centre of industry, science education, trade, tourism, and culture in the Northwest part of China. It has established a complete industrial system in electronic and light textile industry. It has forty-four institutions of higher learning, five hundred scientific research institutions, and three hundred and forty thousand scientists and technical staff. In the areas of comprehensive science and technology, Xi'an ranks third in China. Xi'an has become a major metropolitan area with numerous assets, an advanced economy and a strong momentum towards modernism.

North Economic & Technological Development Zone (XETDZ)

XETDZ is situated outside of the north gate of Xi'an city. It is 5.5 km to the city's centre and 5 km to the Xi'an railway station and cargo station. It holds a distinct superiority in transportation. Its total area is 23.6 square km of infrastructure facilities where 3.4 square km have been



Director Wen Chang Sheng of the Northern Development Zone.

completed. The XETDZ has perfected telecommunications and infrastructure, a powerful supply of water and electricity, scientific & technological strength, an excellent financial structure and an efficient operation system. In June 2000, XETDZ attracted 241 projects with a total investment of RMB 15.6 billion CNY (USD 450 million). World-famous companies have invested in XETDZ, such as Coca Cola, General Electric, Pratt & Whitney (U.S.A.), Rolls & Royce, Swire Group (British), Siemens (Germany), Mitsubishi (Japan), ABB (Switzerland), Hydro (Norway), Volvo (Sweden) and Tingxin Group from Taiwan. Investment in the following fields will be encouraged in XETDZ:

- New material industries: newly-developed aluminium, titanium, magnesium and plastic products, glassfiber, and rare-earth materials products.
- Bio-pharmaceutical industry: all kinds of medicine, DNA chip, biomedicine and medical equipment.

- Light industry and food: light industry products, food and beverage products.
- Machinery & Electronic industry: aerospace components, auto-parts, household electronics, electric appliances, industrial products and parts.
- Finance, trade, service and other related industries.

What further developments lie ahead?

Rome was not built in a day and there is always room for further improvement. We are working hard, therefore, to resolve any backlogs as quickly as we can. The motorway within the City:

- the 2nd Ring Road was totally complete by 2001,
- a project for a 3'd Ring Road deflecting transit traffic is under examination with the Planning Commission of the Government. It should be ready by 2002,

- the city is gradually being free from cumbersome large traffic,
- the city is set to step up its traffic planning system within the next two years (the minimum period for instigation) including its traffic signal system,
- a Project for the first part of an underground traffic system is under examination with the Planning Commission of the Government.

Similarly, railway links are about to be extended, not only in the northern part of the country but predominantly with Xi'an as the pivotal point (extension of the rail system towards the north and south-west to be completed by this year). In addition, a new railway terminal equipped with all the facilities of a container terminal will be completed by 2004. Construction work for the extension of Xi'an International Airport has just begun and will be completed in this year.

(continued on next page)

LABOUR COST STRUCTURE OF THE PROVINCE SHAANXI

Types of Jobs	Payment Job Start	Medium Scale	Highest Scale
Skilled worker	450.00CNY	600.00CNY	800.00CNY
Technician	550.00CNY	1000.00CNY	2000.00CNY
Foreman	750.00CNY	1200.00CNY	1500.00CNY
Engineer production	800.00CNY	1500.00CNY	2000.00CNY
Engineer r&d	1200.00CNY	1800.00CNY	3000.00CNY
Manager workshop	1500.00CNY	2000.00CNY	4000.00CNY
Secretary admin.	500.00CNY	1000.00CNY	1500.00CNY
Secretary bilingual	800.00CNY	1000.00CNY	1500.00CNY
Bookkeeper	450.00CNY	650.00CNY	1000.00CNY
Manager financial	1000.00CNY	2000.00CNY	3000.00CNY
Assistant comm.	800.00CNY	1200.00CNY	2000.00CNY
Manager comm.	1500.00CNY	2000.00CNY	3000.00CNY
Assistant shop	600.00CNY	850.00CNY	1200.00CNY
Storekeeper	400.00CNY	800.00CNY	1000.00CNY
IT-Personnel, skilled	1000.00CNY	2000.00CNY	4000.00CNY
IT-Personnel, graduate	2400.00CNY	3600.00CNY	6000.00CNY
Unskilled worker	300.00CNY	400.00CNY	500.00CNY



Xi'an Northern Development Zone, Xi'an Downtown.

The new High Tech Industrial Development Zone (HTDZ)

HTDZ has just opened a new Technology Park in the south of Xi'an (Chang'an county) which will be developed and gradually united with the core part of the Zone. This infers further vigorous development work to reinforce Xi'an's position as a new high-tech centre of the central and north-west of China. HTDZ has applied for the opening of a new Free Trade Park, a Free Trade Zone comparable to the Free Trade Zones of the coastal areas. This capitalises on Xi'an's affluence of skilled labour and the low costs of the region, thus being able to cater more efficiently for the needs of foreign producers and inexpensive production areas. The application has passed the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) and is now under review at the State Council. Against the backdrop of the "Go West Policy". Beyond this, HTDZ is working hard to further invigorate its service abilities for new investors and for those companies already operating within the Zone. This means that HTDZ is fully aware of its social commitments, its service commitments and service abilities.

Your Partner Company in Xi'an

Crane Ltd. a Chinese company with close relationship to Xilex AG (member of Swiss-Chinese Chamber of Commerce). Crane Ltd. is registered in XEDTZ, and has a share capital of CNY 500'000.00. Crane Ltd. knows the

Western and Chinese culture and mentality very well. You can communicate in English or German language.

Crane is able to assist:

- Representing Swiss/European in the Shaanxi Province* or in whole China
- Preparations for representing Chinese companies in Europe and Switzerland
- Searching for various partners, such as: distributors, licensees, joint venture parties, etc.
- Facilitating communication among parties
- Assisting in negotiations
- Follow-up on a short, medium or long term basis
- Market research in various domains
- Import & Export of goods

* Crane's has further good established relations to western -, eastern -, and northern China as well as to Taiwan.

For further information please contact:

Crane LTD. China

State Level Xian Economic & Technological Development Zone

710016 Xi'an, Shaanxi P.R. China

Email: crane-hesong@gmx.li or

cranelex@public.xa.sn.cn

Tel: ++86(0)296517674 or ++86(0)296524408

(ask for Ms Li or Mr. Wang)

Fax: ++86(0)296511513

BASIC INFRASTRUCTURE AND CAPACITIES/XIAN

Infrastructure in terms of		Operating expenses
Fresh water	Available, no cuts any more	CNY 2.16/t for industry; RMB 1.80/t for private use
Electricity	Available, brown outs have become rare	CNY 0.448/KWH (<10KV) resp. CNY 0.52/KVH (>10KV) for power industrial use CNY 0.673/KWH for lighting (industrial) CNY 0.525/KWH for power (private use)
Natural Gas	Available, unlimited	——
Telecom	Available (DDD within days, IDD ~ 3 days)	——
Heating	Available, unlimited	one month for industry CNY 5.00 per m ² one month for private use CNY 2.40 per m ²
Treatment of sewage water	Available, unlimited	Surcharge of CNY 0.16 per ton water
Hospitals	Available; one in the City interna. standard	——
International schools	One	
Availability of prefabricated buildings	Yes; 1850.00 CNY/m ² for sale; for rent 30.00 - 50.00 CNY per m ²	——

TRAFFIC INFRASTRUCTURE

Types	Direct Destinations	Travelling time	Remarks
Motorways	Beijing Shanghai	9h 15h	Shanghai (expected time of completion 2005) Wuhan (expected time of completion 2005)
National Highways	Xi'an to Beijing Xi'an to Tianjing Xi'an to Shanghai Xi'an to Yinchuan Xi'an to Tianshui	18h 20h 24h 15h 7h	
East-West Passage	Yinchuan to Xi'an Xi'an to Hefei Baotou to Beijing	13h 20h 13h	ready middle of the year 2002 ready in the year 2003 ready middle of the year 2002
Railways	Essential destinations: Beijing (Northwest) Chengdu (south) Lanzhou (west) Shanghai (south) Tianjin (east) Wuhan (Southeast) Taiyuan (north)	13.5h 16h 14h 17h 22h 32h 15h	twin rail twin rail twin rail twin rail twin rail Under construction Under examination
Airways	Domestic Hong Kong Japan Macao Korea	3.5h 5h 3.5h 3.5h	All major cities in China (69 departures a day) 8 times a week 18 times a week (6 cities) 6 times a week 4 times a week Direct flights to EU, USA are projected, Xi'an get a new internat. Airport

Changes at the Chinese Embassy and Consulate General

New Economic & Commercial Counsellor



Counsellor
QIN Hongliang

- 1977 Attaché in der Handelsabteilung der Botschaft der Volksrepublik China in der Bundesrepublik Deutschland, Bonn
- 1978 Erster Sekretär in der Handelsabteilung der Botschaft der Volksrepublik China in der Bundesrepublik Deutschland, Bonn
- 1982 Beamter, stellvertretender Referatsleiter in der 3. Abteilung des Ministeriums für Aussenhandel und wirtschaftliche Zusammenarbeit der Volksrepublik China, Beijing
- 1991–2001 stellvertretender Referatsleiter, Referatsleiter, stellvertretender Abteilungsleiter, Abteilungsleiter der Europaabteilung des Ministeriums für Aussenhandel und wirtschaftliche Zusammenarbeit der Volksrepublik China, Beijing

New Consul General



Consul General
LU Wenjie

- 1972–1973 Mitarbeiter in der Abteilung für UdSSR und Osteuropa des Ministeriums für Auswärtige Angelegenheiten der Volksrepublik China
- 1973–1979 Mitarbeiter in der Botschaft der Volksrepublik China in der DDR
- 1979–1984 Attaché, Dritter Sekretär in der Abteilung für UdSSR und Osteuropa des Ministeriums für Auswärtige Angelegenheiten
- 1984–1989 Zweiter Sekretär in der Botschaft der Volksrepublik China in der DDR
- 1989–1991 Zweiter Sekretär, stellvertretender Referatsleiter, Erster Sekretär in der Abteilung für Westeuropa des Ministeriums für Auswärtige Angelegenheiten
- 1991–1992 Erster Sekretär in der Botschaft der Volksrepublik China in der Bundesrepublik Deutschland
- 1992–1995 Erster Sekretär, stellvertretender Referatsleiter, Referatsleiter in der Abteilung für Westeuropa des Ministeriums für Auswärtige Angelegenheiten
- 1995–1996 Botschaftsrat in der Botschaft der Volksrepublik China in der Bundesrepublik Deutschland
- 1996–1998 Botschaftsrat in der Abteilung für Westeuropa des Ministeriums für Auswärtige Angelegenheiten
- 1998–1999 Botschaftsrat in der Botschaft der Volksrepublik China in der Bundesrepublik Deutschland
- 1999– Leiter der Aussenstelle in Bonn der chinesischen Botschaft in der Bundesrepublik Deutschland

Don't Be Afraid of Diplomats



Counsellor Jürg Lauber

The Embassy – the Link between Industry and the Market

As head of the Swiss Embassy's Business and Trade Section, I often tell people that I consider this one of the best jobs in the Swiss diplomatic service. My main job is reporting, consulting and marketing with the help of a small team.

Reporting means that in addition to a weekly newsletter, I also send regular analyses about the Chinese economy and reports about current affairs to Berne. Insofar as these reports do not contain classified information, they are available to interested companies and associations.

Consulting means that we answer specific questions from Swiss companies about access to market conditions, sources of supply, possible business partners and so forth. We often refer companies to organisations or firms that are able to answer their questions or provide the service they require. Consulting also entails looking after Swiss delegations in China and providing support to Swiss companies in their dealings with the Chinese authorities and courts. Naturally, we also answer queries from Chinese companies interested in Swiss products or business opportunities in Switzerland.

Marketing involves various activities to make Chinese public aware of Swiss industry and products. This includes publicising industrial fairs and organising trade exhibitions and seminars.

Our activities in China are basically the same as those of any other Swiss Embassy. But what makes our work particularly interesting is that the Chinese state micromanages and regulates much of the economy and is itself a major player in it as the owner of entire industrial sectors. Swiss companies are therefore forced to be in regular contact with the Chinese authorities at all levels. The job of the Swiss Embassy and its consulates is to mediate and facilitate such contacts. In other words, we offer Swiss companies genuine added value in this area.

Unfortunately, I often get the impression that we are not doing enough to market the Embassy's services and that business people still hesitate to seek our services. This is particularly regrettable when companies are bedazzled by China's size and theoretical market potential, throw elementary caution to the winds and make business deals on terms they would never accept back home.

Although it goes without saying that we cannot solve every problem, we do have considerable experience ourselves and can draw on a network of seasoned business people who are always willing to help newcomers. A brief visit of occasional phone call to the Embassy is often very much worth the effort.

Jürg Lauber, lic. iur., is Head of the Economic and Commercial Section at the Swiss Embassy in Beijing since 1999. Phone: +86-10-6532 2736, e-mail: juerg.lauber@bei.rep.admin.ch

Contact Addresses

Embassy of Switzerland
Sanlitun Dongwujie 3
Beijing 100600
P.R. of China
e-mail: vertretung@bei.rep.admin.ch

Dominique Dreyer
Ambassador of Switzerland to
the People's Republic of China

Consulate General of Switzerland
New Address since June 2002:
Consulate General of Switzerland in Shanghai
22F, Building A, Far East International Plaza,
319 Xian Xia Road
Shanghai 200051
P.R. of China
e-mail: vertretung@sha.rep.admin.ch

Hans Jakob Roth
Consul General of Switzerland, Shanghai

Made in Switzerland – the Inherent Brand Value

China is different. And then it is not. Only a few years ago the general assumption was that China has a different approach to company image, branding and advertising. The discussion among communicators was whether a foreign company fares better if the image is “foreign”, meaning that name and image would bear a distinctive foreign quality, or whether a typical Chinese name would generate better results in the market. Both are right.

Local brands, especially the new ones, have learned fast. Consumer products – through the import of technology and production lines – are difficult to distinguish from foreign products, whether in design or quality. The general saying goes that after all these products are made in China anyway. The battle of brands takes place rather between the local brands themselves than between foreign and local. What matters in this field is, like anywhere else, the quality of the product, the availability and the marketing.

Products requiring trust, meaning reliable quality, however, still fare better when the label “imported” or “Chinese-Foreign Joint Venture” is attached. Whether pharmaceuticals or high-tech products, the indication of a foreign origin creates an advantage over purely local products – and therefore companies.

Chinese people often attach more importance to the brand and the origin of a product than Westerners. This attitude originates in the cultural environment where the nation, the unit (danwei) and the group predominate the individual. An article is perceived as one product of one specific origin, the origin comprising the company and the location of the company. This can be of critical advantage for products and companies from countries on friendly terms with China. Of course, quality and price are not neglected in the decision process.

Face is value. And so is the image of a company and its representatives. In a country where people and relationships are a prerequisite of business transactions, the representative is the face of the company. His or her personal behavior and actions are as important to the partners as the company he or she represents.

Switzerland's positive image in China derives from past experience of the Chinese people and the Chinese government with this country and her products: Swiss watches have entered the collective mind as prime products and represent the admirable standard in quality, durability and reliability of other Swiss commodities.

Products alone however may not always be the only measure of credibility of a company: a positive attitude towards Chinese culture and history is essential in dealings with potential Chinese partners and consumers. Language is the key criterion of culture; magic qualities are attributed to the written word and its meanings. The minimum requirement therefore is to provide information not only in English but also in Chinese, be it a name card, a brochure or other collateral. Above all, the careful selection of an auspicious meaning of the company name or even the names of representatives may affect further developments.

The key image builders of a company in China are still size and history. The fact that SMEs and not only large conglomerates hold significant know-how has but recently entered the minds of the decision makers. Nevertheless it is this know-how which is sought after and foreign companies do well in proclaiming their achievements in technology development.

Conclusion

Whereas for the end user the origin of a consumer product is of less consequence, the origin of a company, its size, history and know-how are the major components in the building of a company identity for China. The packaging of a company image requires local adaptation of the company information, including the company name and collateral, be it a name card or a website.

Walter Landolt

Walter Landolt is a Vice President of the Chamber in China and the Executive Director of Impact Productions & Design, the only Swiss company in China active in the line of advertising. Impact is responsible for the website of the Swiss Chinese Chamber of Commerce in China: swisschinacham.org.
Contact: Walter.Landolt@impact-ad.net
Web: impact-ad.net



New Releases for Your China Business

Modules for Success – Switzerland's Key Export Sectors on DVD

The second, up-dated release of the all-audience Modules for Success (MfS) presentation is now available. The new release has been expanded by modules on software and environmental technology, while Japanese and Turkish have been added to the existing range of English, French, Spanish, German and Chinese language versions. The newly added NTSC version of the DVD guarantees now a worldwide distribution.

Osec Business Network Switzerland has chosen DVD as their main medium, for obvious reasons: best picture quality and interactive options such as language selection or the ability to programme modules to suit individual needs.

Use this tool in presentations, when welcoming economic delegations, as a curtain-raiser at seminars, at info booths in trade fairs. MfS is also suitable for targeted dis-

tribution to multipliers in your country, e.g. (electronic) media, regional chambers of commerce, business schools etc., or as a small present to relevant official institutions. Osec can supply you, in the limits of their stocks, with additional DVDs or VHS video cassettes.

MfS is also accessible in all language versions via internet (www.ossec.ch, button on right hand col.) in form of a flash presentation and Osec is about to negotiate with the new national carrier Swiss a continuation of the cooperation they started with Swissair a year ago: Monthly changing themes from MfS in the after take-off video programme on long haul flights. Both contribute substantially to a broad distribution of the messages among an interesting target audience.

Swiss Business in China – Directory

The latest edition (Volume Nr. 6) of this popular directory is now available for all those who want to get a complete picture of Switzerland's presence in the Peoples Republic of China. Published jointly by Osec Business Network Switzerland, the newly formed Swiss Business Hub China in Beijing and the Swiss-Chinese Chamber of Commerce, this guide reflects all Swiss and Liechtenstein companies established or represented in China who are known to the Embassy.

The latest edition contains close to 600 company addresses. The reader finds the addresses of the head office and the local company (joint ventures, wholly owned for-

eign companies, representative offices, liaison offices) and a short description of the scope of activity.

"Swiss Business in China – Directory" is not only a valuable source of information for everyone wishing to get in touch with Swiss companies in China – it can also help Swiss companies considering their market entry in this huge market to get the right contacts.

*For further information and orders please contact
The Chamber at info@sccc.ch*

*The Swiss Embassy in Beijing at
vertretung@bei.rep.admin.ch*

or Osec Business Network Switzerland at eics@ossec.ch

Official Swiss Pavilion at Food & Hotel China 2002

Shanghai, September 3 – 6, 2002

The Market

The Chinese economy is already one of the world's largest and is expanding at a phenomenal rate. As China prepares to enter the World Trade Organisation (WTO) confidence in its economic reform is at an all time high. Benefits will be long term as foreign investment is encouraged and im-

port tariffs decreased dramatically as the flow of goods between China and the rest of the world soars.

The combined results of China's admission to the WTO and the successful 2008 Olympic bid are set to be the catalyst for increased international business and leisure

travel. The World Tourism Organisation has predicted a new surge in tourism with the country becoming one of the leading tourist destinations over the next five years. The country has more than 600 four and five star hotels and thousands more in other categories forming the basis for this predicted surge in tourism. The China food market is estimated to be growing at 12 % a year.

The Trade Fair

Established in 1994 and now in its 9th year FHC is China's longest running most respected trade show for the food, drink, hospitality, foodservice, bakery and supermarket industries.

FHC 2001 hosted 435 participating companies from 32 countries and regions and combined with a total of 11 019 quality trade visitors. An extensive marketing program is planned to ensure that top quality trade buyers from throughout China and overseas will attend FHC 2002. A targeted visitor campaign including advertising, direct mailings, personal trips, press conferences, trade and daily press, editorial, telemarketing and internet, will guarantee the attendance of professional trade buyers from the food industry sectors.

Line of Goods

Foodservice Equipment, Refrigeration, Tableware, Bakery Products, Meat Products, Dairy Products, Fresh Produce, Ingredients, Frozen Food, Snack Food, Seafood, Health Food, Wine & Spirits, Confectionery.

Organization and further information:

Osec Business Network Switzerland

Sabrina Romano

Phone: 0041 1 365 52 49

e-mail: sromano@osec.ch

Internet: www.osec.ch

China – Shanghai

Swiss Business Hub China

Freda Wang, Deputy Chief of Commercial Section

Phone 0086 21 62 70 05 19

e-mail: vertretung@sha.rep.admin.ch

Shangri-La with Hotel on Hainan Island

Shangri-La Hotels and Resorts has signed a management agreement with the China-based Sanya Sunny Bay Development Co., Ltd. to operate a luxury resort on Hainan Island. Shangri-La's 555-room Sunny Bay Resort, Sanya will be located near Yalong Bay and will be the island's premier destination when it opens in 2005.

"We are extremely pleased to announce plans to develop our first full beach resort in China. Shangri-La's Sunny Bay Resort, Sanya will complement our existing portfolio of quality city properties and reinforce our position as the leading luxury hotel group in China. It will be a complete destination resort concept," says Shangri-La's Chief Executive Officer and Managing Director, Giovanni Angelini.

Comments Wang Wei, Managing Director of Sanya Sunny Bay Development Co., Ltd., "The development of Shangri-La's Sunny Bay Resort will introduce the prestigious Shangri-La to Hainan Island. The hotel will offer travellers comprehensive facilities and services of the highest quality, and we are certain it will become a highlight that will bring the Hainan tourism industry to a new level of sophistication."

Shangri-La's Sunny Bay Resort will be located on the southernmost tip of the island, which is known as the "Hawaii of China" for its white sand beaches and tropical rainforests. The resort will offer 505 rooms and suites and 50 luxury villas. Recreational facilities will include a 1,500 square metre spa and wellness facility, fresh and saltwater pools, tennis courts, mini golf/pitching and putting, and a water sports centre. Sunny Bay will boast

the island's premier event and meeting facilities as well as extensive dining and entertainment outlets.

Shangri-La Hotels and Resorts is the leading Asian-based luxury hotel company in the region with nearly 20,000 rooms and 38 properties. Its hotels are located in the Chinese mainland, Fiji, Hong Kong SAR, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Taiwan. For more information, please visit www.shangri-la.com.

Helen Oakeley

Director of Public Relations, Europe

Regional Sales Office, Europe

Phone (44-20) 8747 8484

Fax: (44-20) 8747 8591

E-mail: hoakeley@shangri-la.com

Website: www.shangri-la.com

The mystique of
Beijing.
The magic of
Shangri-La Hotel, Beijing.



For the discerning traveller, there is only one hotel. For reservations, call your travel consultant,
any Shangri-La or Traders Hotel or book on-line at www.shangri-la.com



Tel: (8610) 6841 2211 Fax: (8610) 6841 8006 E-mail: slb@shangri-la.com

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MANILA • NANJING • PENANG • QINGDAO • SHANGHAI • SHENYANG • SHENZHEN • SINGAPORE • SURABAYA • TAIPEI • WUHAN • XIAN • YANGON

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 antiques 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/DELEGATIONS

Alpine Sightseeing GmbH

Natel 079 249 54 83
Franklinstrasse 5
CH-8050-Zürich
☎ 01-311 72 17, Fax 001-311 72 54
E-mail: Alpiness@Freesurf.ch

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 ZÜRICH

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.)