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Responsible Editors:

Susan Horváth,
Managing Director
Paul Wyss,
Vice President

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

Printing:

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

in Switzerland:

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

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

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

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

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

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

Legal Chapter Zurich
c/o 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

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

Swiss Chinese Chamber of Commerce Shanghai

Phone	+86-21-6276 1171
Fax	+86-21-6276 0856
E-mail	info@sha.swisscham.org
Website	www.sha.swisscham.org
President	Ren Zhanbing

Message from the President

As the year of the Goat comes to an end, let me take this opportunity to review the past twelve months and to share some views on what the year of the Monkey might bring us.

To start with the most important: Swiss-Chinese relations remain excellent, politically and economically. Our Minister of Foreign Affairs, Ms Calmy-Rey as well as Minister of Defence, Mr. Schmid visited China in May and April – at a time when everybody was trying to avoid the country due to SARS. President Couchepin paid an official visit to Beijing and Shanghai in November. On the latter occasion China granted Switzerland the status of "Approved Tourist Destination", which allows groups of Chinese visitors to come to Switzerland. Our tourism industry attaches great importance to this agreement. Mr Couchepin also inaugurated the Swiss Center in Shanghai.

The Swiss-Chinese trade in the period January/September reached CHF 3.48 billion. Swiss exports increased a mighty 24.6% compared to 2002, to CHF 1.701 billion, whereas our imports from China rose 2.1% to 1.751 billion.

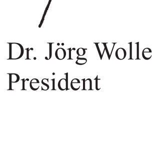
Meanwhile, the Chinese economy showed an extraordinary performance. With a growth of 8.5% by early December, GDP will top US$ 1.3 trillion. Total foreign trade will reach about US$ 800 million, up 25%, which will make China the world's fourth biggest trading nation. Exports will mark a new high with an increase of more than 30% over the last year. Import growth outstripped that in exports with a plus of about 32.2%. Disposable income of urban residents will grow about 85% this year, while that of rural residents will grow by about 4%. About 8 million new jobs were created around the country this year.

Ever since China's entry into the World Trade Organization, further economic reforms have been pushed vigorously. Import duties were slashed further, industrial and service sectors are opening up for foreign investors step by step. All the indications are that the Chinese authorities are preparing for an aggressive restructuring of the country's state-owned banks.

China thus enters the new year with confidence and optimism, so does our Chamber. We continue to contribute to the best of our capacity to enhance trade and cultural relations with this great country.

At this stage, I would like to express my thanks to all of you who have supported the Chamber in and outside Switzerland in 2003. A special note of thanks goes to our Managing Director, Ms Susan Horváth, for her untiring efforts in running the Chamber's many activities and networks.

Sincerely,



Dr. Jörg Wolle
President

2004 – Year of the Monkey

January 22nd 2004 – February 8th 2005

Everything will be workable this year. At least the agile Monkey will not give up before trying every angle. There will be success even in impossible ventures, there will be inventions and improvisations galore. Politics, diplomacy, high finance and business will be engaged in one big poker game with everyone trying to out bluff each other. A rather amusing and exciting time in which everyone will be given the opportunity to try his hand at the game. No direct confrontation here, as the Monkey is one who can laugh off his mistakes and improve his bargaining prowess in the next round.

This is a year that will find us all trying to get a better deal by outsmarting the other man. It is hard to keep track of who is winning, as the right hand has no idea of what the left hand is up to. One thing is for sure, this will be an extremely progressive time. We will all steam ahead, and even if we do not apply ourselves to the utmost, we will be carried forward by the surging tide of the Monkey's natural talent for learning and advancement.

The lucky imp of a Monkey who rules this year will urge us to gamble, speculate and exploit risky but ingenious options. If you are quick on the draw, this year will yield huge dividends. It is definitely not a year for the faint-hearted or slow-witted. The Monkey gives no concessions and asks none in return. If there is a recession, the year of the Monkey will quickly put an end to it. Business will skyrocket under his optimistic and shrewd influence. The Monkey's resourcefulness will amaze and confound everyone.

It is very interesting to note that America was born in the year of the Fire Monkey, 1776. Perhaps this explains her phenomenal growth and fantastic achievements within such a short span of time.

It is said that the Monkey's year will bring many new and unconventional ways of doing things. The motto of this year should be: "Don't take No for an answer!"

Source: The Handbook of Chinese Horoscopes by Theodora Lau. Published by Arrow Books Limited.

Next Events

Arbitration in China: Some recent developments … and Lingering Issues

Meeting of the Legal Chapter

with guest speaker
Dr. Michael J. Moser
Partner and China Business Head of the international law firm Freshfields.

Friday, February 6th 2004
at the offices of Schellenberg Wittmer Attorneys at Law Zurich

For registration, please contact the Chamber.

Beschaffungs- und Absatzmarkt China Schwerpunktthema: CCC-Kennzeichnung

mit Stefan Fischer
geschäftsführender Gesellschafter der Cisema GmbH, München, mit Büros in Beijing, Shenzhen und Singapur.

Seit 1. August 2003 gilt definitiv die neue CCC-Zertifizierung der Volksrepublik China. Das CCC-Verfahren ersetzt die Zertifizierung des „China Import and Export Commodity Inspection Bureau (CCIB)" und der „China Commission for conformity Certification of Electrical Equipment (CCEE)" und gilt somit gleichermassen für Importe und lokal hergestellte Produkte. Der offizielle Katalog der CCC-pflichtigen Produkte unterliegt der "China National Regulatory Commission for Certification and Accreditation (CNCA)".

Ganztagsseminar in:

Basel 19. Februar
Ramada Plaza Basel Messeturm
Messeplatz 12, Basel

Zürich 22. April
Osec Business Network Switzerland
Stampfenbachstrasse 85, Zürich

St. Gallen 29. Juni
Zentrum für berufliche Weiterbildung
Gaiserwaldstrasse 6, St. Gallen

Informationen zum Inhalt:
Rolf Lüthi, Leiter, School for International Business
e-mail mail@eiab.ch, Tel. 01 / 365 53 54

Anmeldung:
Sylvia Zbinden, Assistentin, School for International Business
e-mail mail@eiab.ch, Tel. 01 / 365 53 33, Fax 01 365 52 21

Teilnahmegebühr:
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Für Nichtmitglieder CHF 920.–.

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Allied Trade SA	Genève
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Worldguest Services	Genève
M. Jean-Pierre Cellerin	Genève
M. Kelly Barbey	Genève

Switzerland now Approved Destination

ADS Switzerland. What is it? What does it bring to Switzerland? Which changes are expected in the near future in the Swiss tourism industry?
Federico Sommaruga, Director South East Asia for Switzerland Tourism, is based in Zurich and provides answers to all these questions.

What does ADS mean in general?

Chinese tourists are allowed to leave China only in organised groups. Tours by such groups are organised exclusively by state-approved travel agencies and may be made only to countries that have been accorded "Approved Destination Status" (ADS). Business trips and visits to relatives are excluded from this regulation. At present the nations of the EU and an additional 21 countries have been granted this status. Without ADS status public tourism advertising is not permitted in the People's Republic of China.

How did Switzerland get the ADS status and what does it bring?

Switzerland submitted its application for ADS to the China National Tourist Authority (CNTA) back in 1998. A Memorandum of Understanding concluded at the time states that the national tourism organisations (CNTA and ST) could open offices in Zurich and Beijing to boost the tourism business between the two countries. The office of ST was opened in January 1998 in Beijing and the one of CNTA in May 1998 in Zurich. During his state visit to PR China, on November 20th, 2003 the President of the Swiss Confederation, Pascal Couchepin, has been granted ADS status for Switzerland by President of People's Republic of China, Hu Jintao. This means that Chinese citizens traveling to Switzerland, as tourists will no longer have to apply for special permits from the Chinese authorities. This opens up a huge potential market for the Swiss tourism sector. Swiss Federal President Pascal Couchepin said in Beijing after his official meeting with the President of the People's Republic of China, Hu Jintao: "I'm pleased about this decision, which is important for our tourism and our economy. This decision will support the cultural exchange and the understanding between both countries." Switzerland earned the ADS status as a result of the close cooperation with the Chinese authorities, in particular with the China National Tourist Authority (CNTA), of efforts by President Couchepin, the Department of Foreign Affairs, the State Secretariat for Economic Affairs (seco) and Switzerland Tourism. The ADS announcement marks the start of detailed negotiations and preparation for the opening of the new market. Not only will tour operators have to be appointed in China but incoming operators will also have to be selected inside Switzerland to specialize in holidays for Chinese visitors. It is likely to be eight months to a year before the first groups arrive. An additional effect of the new status is to lift restrictions on public advertising, which means that Switzerland Tourism – the organization that markets Switzerland as an ideal country for travel, vacations and conferences – can begin directly targeting Chinese customers. Thanks to its close co-operation with the CNTA, Switzerland Tourism has been the first European national tourist agency to set up its own office in China, and is thus poised for a robust entry to the marketplace, stepping up its efforts to make tour operators aware of Switzerland's strengths as a holiday destination. The first priority is to get the message directly to the customer, via brochures, a public information service and the upgrade of the current Chinese-language web page at MySwitzerland.com.cn.

Overnight Statistics for Chinese Visitors in Switzerland:

1999	75'131	
2000	83'239	(+10,8%)
2001	95'257	(+14,4%)
2002	119'261	(+25,2%)
2003	120'000	(+/-0%; due to SARS)
2007	300'000	estimates
2010	500'000	estimates
2015	800'000	estimates

Facts & figures on the Chinese market:

– Almost 44% of all overnights are generated in Zürich, Geneva and Lucerne.

– 60% of overnights occur in the summer half of the year, 40% in the winter half.

– 90.7% of overnights are spent in hotels.

– The preferred hotel categories are three and four stars. Only 7% of Chinese visitors stay at five-star hotels. A total of 21% choose a hotel without a classification.

Source: ST Market Report China 2002

The top five destinations for Chinese visitors in Switzerland

Destination	ON 2001
1. Zürich*	15,485
2. Geneva*	15,163
3. Lucerne	11,005
4. Lausanne	5,269
5. Bern	3,153

** = not including the airport*
Source: Swiss Federal Statistical Office 2002

Mr. Michel Ferla, Vice President of Switzerland Tourism and member of the official delegation congratulates PR China President Hu Jintao right after the consignement of the ADS Status in Beijing on November 20th 2003.

What is the impact of ADS for Switzerland?

Not only the Swiss tourism industry will benefit but the economy generally will also receive a boost: Switzerland Tourism estimates that, by 2007, Chinese visitors will account for 300,000 overnights, with that figure rising to 800,000 by 2015. In other words Switzerland Tourism expects a steady rise in the number of overnights accounted for by Chinese visitors from 120,000 in 2002 to 300,000 in 2007, 500,000 in 2010 and 800,000 in 2015. We can predict "within a few years Switzerland will have more Chinese than Japanese visitors". In term of spending and based on recent studies of WTO, Chinese visitors spend around CHF 450 a day (accommodation, meals, transport and shopping). The expected revenues are therefore CHF 135 million in 2007, CHF 225 million in 2010 and CHF 360 million in 2015.

What are the next steps?

It is expected to take 8–12 months for the first group of visitors to travel to Switzerland under the new status. Switzerland Tourism will consider the possibility to dispatch a director for China and South East Asia to Beijing and expand the local team to strengthen the market presence and to continue developing the market efficiently. The creation of a publicly accessible, Chinese-language information centre will be considered as well. The coordination and the production of promotional material (brochures, videos, VCDs, DVDs) in Chinese will become a priority. The MySwitzerland.com.cn website will be improved and links to relevant local organisations created. In terms of marketing Switzerland Tourism will expand the promotion of Switzerland as a destination for holidays, travel and conferences in association with tourism partners. Further the preparation of the Swiss hotel industry, including the setting of minimum standards in Swiss hotels for visitors from China as well as raising of general awareness among the industry for the new visitor segment. Switzerland Tourism will also propose that on account of the rising demand for visa, high consideration should be given to the increase of the resources of the visa sections at the Swiss Embassy in Beijing and the Swiss Consulate General in Shanghai. Serious consideration should be given to the creation of a Consulate for the issuing of visas in Guangdong province. Switzerland Tourism and the Swiss Hotel Association will present a detailed booklet with "tips" to the suppliers during the course of 2004.

What is the reaction of Jürg Schmid, President of Switzerland Tourism?

Jürg Schmid, CEO of Switzerland Tourism, welcomes what is clearly a positive development. He says: "In China, Switzerland is the brand for beautiful mountains, a special closeness to nature and an incomparable richness of experience. Our strong and highly motivated team in Beijing will ensure that we realize the tremendous potential of this new market."

For further information, please contact:

Switzerland Tourism
Mr. Federico Sommaruga
Director South East Asia
Tödistrasse 7, 8027 Zurich
Federico.sommaruga@switzerland.com

visit
www.switzerland.com

Switzerland Tourism
Mrs. Wenjia Zhang
Chief representative for China
610 Scitec Tower, 22 Jianguomenwai Dajie
100004 Beijing
wenjia.zhang@switzerland.com

Swiss Presidential Visit to China

From a Sino-Swiss relations perspective, the month of November 2003 saw the Presidential Delegation visit of Swiss President H. E. Pascal Couchepin to China, on the invitation of Chinese President H. E. Hu Jin Tao.

This trip marks the highlight of year 2003 and represents a very important further step towards the continued strengthening and development of the bi-lateral trade and economic relations between Switzerland and China. In the following article SwissCham China looks back to this memorable visit from its own perspective.

Three days in Beijing

The trip started with the arrival of President P. Couchepin in Beijing, on November 20, 2003. At the official dinner banquet hosted by President Hu Jin Tao in the evening, Mr. Christian Guertler, Chairman of the National Board, SwissCham China, had the honour to represent the Chamber.

At the initiative of SwissCham Beijing, a 3-pages Sino-Swiss Friendship Special Supplement was published in China Daily, to celebrate the arrival of President P. Couchepin's visit to China.

This special supplement was very well received and we would like to express our appreciation to the sponsors that made this project possible, listed in alphabetical order: ABB, BREITLING, NESTLE, SR TECHNICS.

Our appreciation also goes to the Swiss Embassy Beijing for its participation in the success of this project. A copy of the article published by SwissCham in that special supplement is provided for your convenience.

The morning of the following day, Friday November 21, began early with a breakfast meeting held at the Diao Yu Tai State Guest Residence. This breakfast session was organized for members of the official delegation and President P. Couchepin to meet and discuss with SwissCham China board members and selected Corporate Representatives Members of SwissCham Beijing their market experiences and key issues faced by the business sector.

This breakfast session served as a preparatory work group meeting, just prior to the Official Meeting of President P. Couchepin with the Vice-Minister of Commerce, H. E. Mr. Yu Guang Zhou. Representatives of the Chamber joined in a business meeting discussion session with the Vice-Minister of Commerce, H. E. Mr. Yu Guang Zhou. SwissCham China's proposal to further strengthening the cooperation between the Chinese Ministry of Commerce and the Chamber and its regional organizations Beijing and Shanghai was well received. Specially the role of the Chamber as possible facilitator for Swiss investment in China and vice versa was warmly welcomed and commented.

The morning of Friday also saw a formal meeting of President P. Couchepin with the Vice-Minister of Science and Technology, H. E. Mr. Liu Yan Hua.

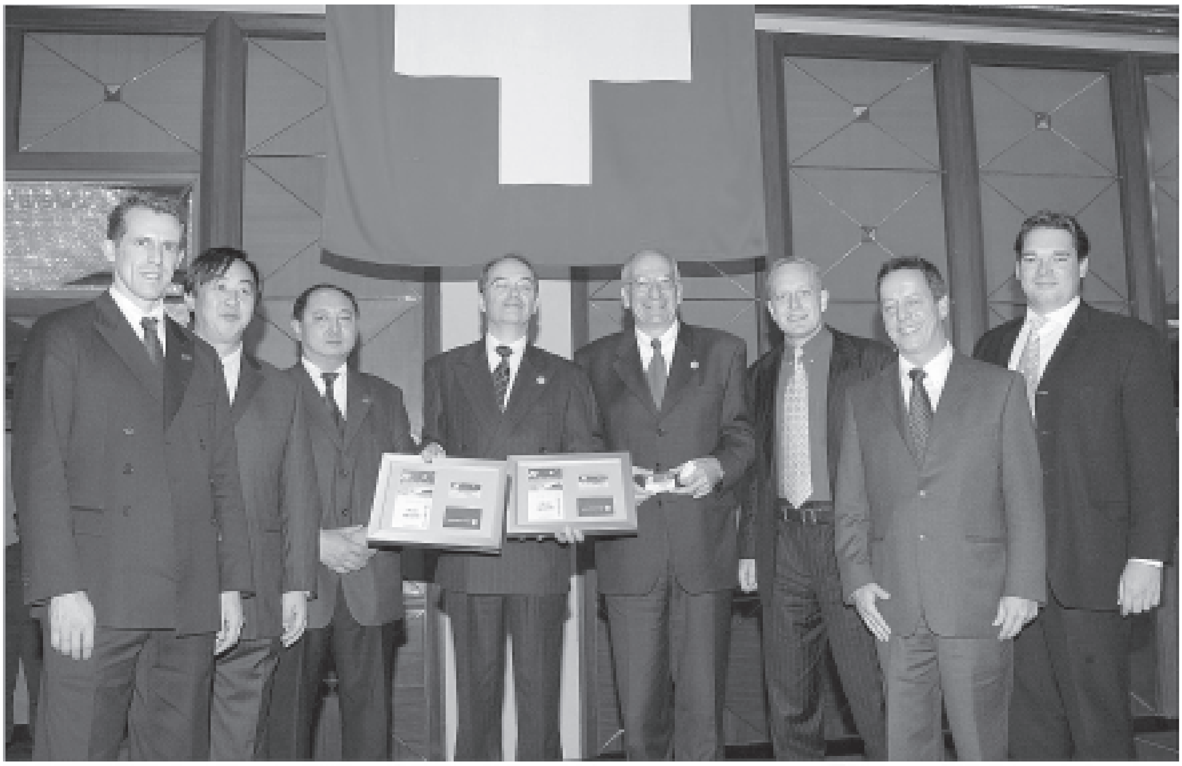
At lunch, a reception for the Swiss community was held in the Kerry Centre Hotel. At that occasion, SwissCham Beijing took the opportunity to present to both President P. Couchepin and to Swiss Ambassador to China Dr. Dominique Dreyer a memorable marker of this important trip: the Chamber's Executive Frame and V.I.P. Membership Card. SwissCham Beijing unveiled its innovative Membership Card with integrated Smartcard, on that day, in public, for the first time. SwissCham China is the first foreign Chamber of Commerce in China to have introduced a membership card with SmartCard functionality.

In the afternoon another important meeting with Chinese Premier H. E. Mr. Wen Jia Bao ended the two-day Beijing part of important meetings and discussions with key Chinese Officials. The day ended by a performance of the Mummenschanz group held at the Tian Qiao theater.

The delegation left Beijing on the morning of Saturday for Lanzhou and Dunhuang on a sightseeing visit that also offered an impression of rural China. The President reached Shanghai on Sunday, November 23, evening.

Shanghai Highlights

Early in the morning President Couchepin honoured the



Swiss Presidential Visit to China – November 20 to 25, 2003

The Board of SwissCham Beijing presenting the Chamber's Executive Frame and V.I.P. Membership Card souvenirs to H.E. P. Couchepin President of the Swiss Confederation and to Dr. D. Dreyer Ambassador of Switzerland to China.

From Left to right:

Fabian Furrer, SwissCham Executive Director; Zhang Hu, Vice President; Johnson Li Director; H.E. Ambassador Dominique Dreyer; H.E. President Pascal Couchepin; Cyrill Eltschinger, President; Alexandre Sudan, Treasurer; Guillaume Boudin, Director.

work of the Swiss Center Shanghai (SCS) and in the presence of many Chinese and Swiss dignitaries officially opened the new premises of SCS in Xinzhuang Industry Park. The ceremony was followed by a SwissCham Shanghai event attended by the Presidential delegation, presenting 3 cases of successful entry of SMEs in China, illustrating the concept of the SCS offers and the practical support it affords Swiss companies.

The President went on with a visit of Firmenich's newly opened facility, minutes away from the SCS, and drove to the Urban Planning Exhibition, a permanent display of Shanghai, past present and future, illustrating the key economic importance of this Chinese city-province of close to 20 Mio. inhabitants.

The Mayor of Shanghai then received the Presidential delegation and treated it to a banquet. Both discussion and lunch were attended by the undersigned representatives of SwissCham China.

In the afternoon, the joint Boards of SwissCham Shanghai and Beijing had a closed door meeting with the President and part of his delegation. The legal and operational structure of SwissCham China, the main activities of its regional organizations Beijing and Shanghai were presented and two main topics were discussed: China's implementation of WTO agreements and the cooperation of the Chamber with Swiss institutions such as Seco, Osec and the Diplomatic Representations. The exchange was open, frank and practically oriented. Results are summarized below.

The President went on with the public grand opening of "Work in Progress" an exhibition promoting Swiss architecture in China, organized by the Consulate General of Switzerland in Shanghai and accompanied by the distribution of 70'000 pamphlets over China.

The delegation finished its China visit with an evening cruise on the Huangpu river, offering the striking views of 19th century Shanghai, the Pearl of the Orient, on one side and the City of the 3rd Millennium ready to emulate New York, on the other.

Summary

President P. Couchepin's visit overall, has been a very successful trip. The long-awaited for Approved Destination Status (ADS) was awarded to Switzerland, which is a critical step towards developing a growing tourism-base from Chinese travellers to Switzerland. Other areas of cooperation between our two countries were discussed, which are expected to see the unfolding of various projects and initiatives in the future.

SwissCham China provided a "Welcome Package" to every participant of the official delegation and representatives of the Media, which provided information about the activities of SwissCham China. V.I.P. Membership Cards were also issued to all delegation members in an effort to raise awareness on the efforts led by the Chamber in China and in Switzerland.

To mark the start of a more engaged cooperation, SwissCham China proposed two initiatives to the Swiss delegation, one to work closely with Seco to monitor China's implementation of her WTO's commitment, the other, to study in details trends of the Chinese development, experiences made by Swiss companies already active in China and the practical needs of Swiss firms to start a China business.

This latter proposal, in the form of a SME-survey in Switzerland and Swiss enterprises in China, would allow the Chamber and other public and private institutions to support the entry of SMEs in an environment that is renown to be difficult, yet more and more promising.

Should you have any questions, please contact:

SwissCham Beijing (Tel: +86-10-6432-2020, email: info@bei.swisscham.org)
SwissCham Shanghai (Tel: +86-21-6276-1171, email: info@sha.swisscham.org)
or visit our website: www.swisscham.org

Cyrill Eltschinger
C.E.O., I.T. UNITED
President, SwissCham Beijing

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General Manager Bobst China
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Christian Guertler
Degussa Asia Pacific Senior Adviser
President, SwissCham China

More Aspects on the Presidential Trip

Besides obtaining the Approved Destination Status (ADS), which constitutes assuredly the most tangible result of the Presidential visit, and the aspects raised in the articles hitherto, several other points deserve a mention:

– Friday 21st November, Mr Pascal COUCHEPIN had talks with Mr LIU Yanhua, Vice Minister of Science and Technology, at the end of which Swiss Ambassador Dominique DREYER and the Vice Minister signed a Memorandum of Understanding (MoU). This agreement aims to bring about a reinforcement in the collaboration between the two parties in about ten pre-selected fields, which could lead in the near future to the creation of cooperation platforms, joint laboratories, even a Swiss house for science and education in the PRC. Further to the delegation's visit in June 2002, known as the "Swiss Innovation Week", this will be an interesting realization of bilateral exchange on the subject.

President Couchepin at a peasant's house of Tudun (Province of Gansu).

– The question of intellectual property was raised not only with the Prime Minister WEN Jiabao but also with the Vice Minister of Commerce YU Guangzhou. Taking up a suggestion made by Novartis, Switzerland proposed to receive Chinese specialists in order to promote training and encourage an exchange of views. Geneva, headquarters of the World Intellectual Property Organisation (WIPO) would seem to be the ideal place to hold such meetings. The Chinese in charge have reacted favourably, adding that this suggestion will be put forward to the authorities concerned.

– Regarding the China Compulsory Certification (CCC), the parties were in agreement for the need to come to a mutual recognition of certificates in such a way as to avoid any difficulties for Swiss and Chinese companies.

– The visit of the Swiss Study Centre – perhaps a little too rapid to be able to assess all the significance – opened in 1988 within Beijing Foreign Studies University, was an opportunity to see how much work has

President Couchepin visiting the Swiss Study Center at Beijing Foreign Studies University.

been accomplished with encouraging professors and students. President COUCHEPIN promised that a computer would be given to the centre in the near future. Moreover, the question could be raised as how to give more support and more prominence to this center. Should it be placed higher on the list of projects aiming to promote Swiss presence in China?

– Going to Gansu was far from a mere tourist trip. Leaving the axe Beijing-Shanghai, was an opportunity to become aware of the realities of a western province, by visiting for instance the different types of peasant homes and the clay greenhouses, as well as meeting the Dunhuang authorities and the Governor of the province, Mr LU Hao, to whom President COUCHEPIN reiterated his support after the earthquakes which hit Gansu last October. In the domain of senior management training the Swiss delegation was able to see the concrete developments of a programme supported by our country (China Training Centre for Senior Personnel Management Officials or CTC-SPMO) and visit this training centre in Lanzhou.

In a preliminary statement regarding the trip, Ambassador Dominique DREYER recalled that the aims of the visit were to develop bilateral relations, to reinforce the image of Switzerland in China, to meet the new Chinese leaders and, last but not least to stress the importance of Sino-Swiss relations to the Swiss people. In spite of the limits and frustrations that any delegation of this type could bring to light, there is no doubt whatsoever that the delegation fulfilled its goals, paving the way further in our relations with the People's Republic of China.

Gérald Béroud
Secretary, Geneva Chapter Executive Board

President Couchepin Opens Swiss Center Shanghai

Facilitating China Access, the Center Offers SMEs a Global Advantage

Four years after supporting the project launch, Swiss President Pascal Couchepin opened the Swiss Center Shanghai in the Shanghai Xinzhuang Industry Park (SHXIP) on November 24th 2003 during his official visit to China.

"China is developing into a formidable competitor" acknowledged the President. He then went on to mention "to face the competition, SMEs will find a well-prepared ground. They will be able to start production after a relatively short time and in conditions of relatively low risk. This is, in my view, essential for an SME, as they very often do not dispose of the necessary personnel or finances to start China operations successfully. (…) I am convinced the SCS offers Swiss companies an ideal "launch-

Swiss President Pascal Couchepin (right side) is officially opening the Swiss Center Shanghai. (Pictures: Florian Lüthi)

ing pad" for China and will bring a key contribution to the support of SMEs in China."

Nicolas Musy, Managing Director of the Center, presented the achievements of the SCS with more than 40 SMEs (small and medium sized enterprises) served since January 2001, including Jura (producer of coffee machines), Migros (the biggest Swiss retailer), Komax (listed Co. for cable handling machinery).

The Center caters to SMEs, interested in tapping opportunities raised by the emergence of China and its transformation into the main production hub for the World.

SMEs have the opportunity to purchase components at excellent quality/price ratio; supply Chinese producers with equipment and supply the Chinese growing middle class with high-class consumer goods.

The Swiss Center Shanghai (SCS) is a platform for Swiss SMEs interested to set-up their business in China. After offering services from 2001 and instant downtown office space from 2002, the Center is completing its concept and offers instant start-up workshop space for SMEs. Additional instant desk space is also available.

Three years ago, the day of the 50th anniversary of establishment of Sino-Swiss diplomatic relations, Swiss President, Mr. Adolf Ogi presented the Swiss Center Shanghai with its corner stone. In the meantime the groundbreaking project developed well: more than 40 companies received very appreciated support from the SCS and its network of professional experts.

In this time and with the SCS involvement, Xinzhuang Industry Park welcomed 10 more Swiss enterprises making the industry park selected by the Swiss Center the biggest cluster of Swiss companies in China.

The SCS and its network of professionals is providing SMEs with the resources they lack to successfully enter the China market, be it for sourcing, production or distribution.

The SCS offers not only China management expertise, business and cultural know-how, but also financial support, valuable local government relations and adequate instant space.

By integrating and pooling the services, best conditions are earned for the SCS members and clients.

On September 15th 2003 in Quebec, the SCS got the award of best international project of the first World Chambers Competition 2003 (see Bulletin issue 3, 2003). It is now fully ready to fulfill its mission: provide the Swiss SMEs with a strategic advantage and develop Sino-Swiss economic relations.

Swiss Center Shanghai
21-C, 1078 Jiang Ning Road
Shanghai 200060 – P. R. China
Tel: + 86 21 6266 0844
Fax: + 86 21 6276 0856
Web: www.swisscenters.org

Swiss Architecture Exhibition

Swiss modern architecture attracts worldwide attention. The architecture exhibition "Work In Progress" was shown in Shanghai in November 2003. Not only did it show Swiss architects' most recent achievements in Switzerland and abroad but it also introduced to Shanghai their latest successful projects for the Beijing Olympics 2008. The model of the projected new Olympic stadium in Beijing by Herzog & de Meuron was on display for the first time in Shanghai by courtesy of the Beijing Municipal Planning Commission.

Never before has Swiss architecture attracted worldwide attention like today. A group of Swiss architects, such as Herzog & de Meuron, Mario Botta, Peter Zumthor, Diener & Diener, Meili & Peter, Gigon & Guyer, Christian Kerez, Burkhalter & Sumi, Burckhardt & Partner and others not only have been promoting Swiss architecture to a new level but are also enjoying great prestige around the world.

The Consulate General of Switzerland in Shanghai, together with partners in Switzerland and China, was proud to present the best of Swiss modern architecture to the Shanghai metropolis. In parallel to the exhibition a workshop was organized with Swiss architects Roger Diener, Marcel Meili and Christian Kerez at the Tongji University, the leading University for architecture.

The exhibition ***Work In Progress*** took place from November 20 to November 29, 2003 at the 49th floor of the new Bund Centre in Shanghai. It was formally opened by Swiss President Mr. Pascal Couchepin on November 24, 2003. More than 450 guests, architects, interior designers, city planers and developers, artists and media were invited to the reception.

The exhibition ***Work In Progress*** lead through a construction site of already completed buildings as well as projects in different stages of completion. It consisted of two sections. The section ***A Matter of Art*** focused chiefly on the portrayal of fifteen buildings constructed between 1997 and 2000, mostly in Switzerland. It offered a "view" of Switzerland's most recent architecture. Also, a number of themes were presented in parallel with the projects (materials, new simplicity, wood, architecture/nature and the logic of plans), together with a close-up of key players in the contemporary arena of Swiss architecture (notably Herzog & de Meuron, Diener & Diener, Miroslav Sik – 'analogous architecture' – and Peter Zumthor).

Swiss Architects in China

A second section of the exhibition, ***Swiss architects in China***, presented four Swiss architects already active in China. It featured in particular the two projects of the stadia for the Beijing Olympics of 2008 by Herzog & de Meuron and Burckhardt & Partners, the new Art Museum of Qinghua University by Mario Botta as well as the new industrial complex of the Firmenich company in

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Shanghai, built by architect Bernard Vichet. It is noteworthy that all four projects of this section were also exhibited in physical model form.

The staging of the exhibition enabled visitors to weave relations between the works presented, even though these are at times highly diverse. The works were exhibited in the form of photographs and plans, with clear explanations in Chinese and English. A dozen models were especially shipped in from Switzerland to create the three-dimensional experience for the visitor. A Chinese-language DVD about Swiss modern architecture, realised by a Chinese TV-crew in co-operation with the Consulate, was projected on a large screen. Visitors could acquire the newly published Chinese-language books about Swiss architecture “A matter of Art” as well as a book about the work of Mario Botta.

The concept of the exhibition was elaborated by architect Bernard Vichet in close co-operation with the Consulate General of Switzerland in Shanghai. The carefully chosen location offered panoramic views of the entire city and created an dramatic interaction between the modern works of the exhibited Swiss architects and the booming metropolis Shanghai. The visit of “Work in Progress” intended to give the visitor the impression that he was on a construction site. The exhibition site was left in raw condition with concrete floors, walls and ceilings. Burlap was used to wrap pillars and the stands for the models. Steel pipes and wood framed the exhibition panels. Plans were drawn on the floor the same way as they are drawn for Chinese interior construction projects. A green tree, also used in the logo of the exhibition, reminded the visitor that architecture needs to respect nature and the environment. The red ribbons around the trunk reminded of the main colours of the Chinese and Swiss national flags.

The exhibition was extremely well received and was visited by more than 3’500 visitors interested in architecture. Visits guided by Roger Diener, Marcel Meili and Christian Kerez were arranged for special groups as well as for the media. The exhibition received a large echo in the Chinese media.

The Consulate General of Switzerland in Shanghai would like to thank all the sponsors and partners which made this event possible. More information is available on the website www.51swiss.cn. It also hopes that the exhibition will fall on fertile ground in the city, on its move towards the World Exposition of 2010.

2003 SARS & Surprises

It was the year of SARS and surprise. Generalizations are always dangerous, but one that holds good for China is to say that China always has a capacity to surprise. It was the year of SARS, and when the epidemic struck, leading to nationwide quarantine measures, restrictions on the movement of people and goods, and severe disruptions to business, nobody would have been arrested for suggesting that 2003 could be a year of economic catastrophe. But they were wrong. China has surprised us all.

Judging from its roaring 2003, nothing can stop this juggernaut hurtling at breakneck speed along the world’s economic superhighway. It is all the more remarkable when you consider that the year’s super-achievements were won in fact in only two thirds of the year, the other third being severely dented by SARS.

Kicking SARS aside, the **investment** stampede proceeded apace, on the advantageous ground laid by China’s entry into the WTO two years ago. FDI is expected to set a new annual record of around US$ 56 billion and to reach US$ 60 billion next year. As a business investigations specialist I noted a sharp increase in due diligence work this year reflecting the large volume of new market entrants, as well as new investments or expansion by companies already here.

This has also been a year of an acceleration in the **global supply** chain shift to China, a year when “China sourcing” became the sexiest words on every pair of lips. It has been a year when one big city that has fashioned itself as the darling of China – justifiably or not – has begun to shanghai the whole scene and make itself the capital of world sourcing. Around the world, companies small, medium and great, are convinced they must shift their factories to China and their executives to Shanghai.

It has been a year of private housing and car ownership boom. Expenditure on **housing and autos** has exploded, fuelling economic expansion. Despite China’s imperfections, economic or political, you have to tip your hat at its continued progress. When I arrived in this country 24 years ago there was not a single supermarket, private restaurant or private car to be seen, not to mention companies in the true sense of the word. In those days the whole country was pursuing status symbols such as TV sets and refrigerators, now they are chasing BMWs and villas.

Nothing is for Granted

But remember, China has a capacity to surprise, so nobody should take it for granted China's ascendancy and miraculous economic growth will not run into **obstacles**. The darling Shanghai received an abrupt reminder that it is neither infallible nor invulnerable this year when it became the center of a housing development scandal touching senior officials of the Bank of China. Runaway economic trains can crash into the buffers. Tensions over Taiwan have resurfaced. There are rumblings of a future trade war with the US and other countries. And China's domestic political transition might not remain as smooth as it has been so far.

Take the economy. Much of the debate about China this year revolved around the question: is it overheating, could it crash? While the official **GDP figure** of around 8% is already amazing compared to most other countries, private economists reckon the real economic growth rate is double that when expenditure-side data, physical production activity, residential and corporate investment are all taken into due consideration. This 13-16% GDP real term growth rate is unsustainable and a sizeable correction will occur by 2005. The government is not blind to this and has been sensibly applying dampers on liquidity and other financial measures aimed at a soft landing. A sharp crash is therefore not expected, and the medium term outlook is positive. But surprises are not impossible. There is a glaring polarization of society into haves and have-nots, and social tensions could easily flare into apolitical crisis in the not-too-far future, as before.

Another key issue for many doing business here is the level of **corruption, fraud** and **sheer** greed often encountered. As a specialist on fraud risk management, I have seen a marked rise this year in cases of large-scale fraud, employee corruption, theft of intellectual property, etc, engulfing multinational companies' China operations. Despite China's entry into WTO and its efforts to refine its legal system, these problems are getting worse not better. It is well to remember that this is a society in transition, with a widespread get-rich-quick mentality, and the evident habit of some companies in abandoning best business practice and risk mitigation measures when they enter China is simply insane. They should take special measures to manage risk in China. This is one of the costs of doing business here. In addition, companies must continue to work with their governments and advocacy groups to lobby China and encourage it to honour its WTO commitments to open up the economy and create a level playing field.

New Leadership, old Issues

China has been undergoing a **political transition** to a new, younger generation of leaders under President Hu Jintao and Premier Wen Jiabao. The enrollment of the new team was completed in March. Although not yet totally free from the straitjacket placed on them by the old guard around former President Jiang Zemin, who continues to wield much clout behind the scenes, Mrs. Hu and Wen have made good impressions on the population at large and on foreign governments. These are more educated and practical leaders. The flexibility and openness with which they managed the SARS crisis compared with the old guard won them points at home and abroad as modern minded leaders with almost democratic tendencies. But if the loosening up of society and politics that they seem to favour leads to unrest, they could easily end up in the same boat as Zhao Ziyang, the political boss who was removed by retired leader Deng Xiaoping during the Tiananmen upheaval 14 years ago.

Another risk in 2004 centres upon **Taiwan**. There were clear signs from Taipei recently that, via ploys such as a referendum, its President Chen Shuibian is getting his political ducks in a row for a quick and cunning dash to independence shortly before the 2008 Olympics in Beijing. While Premier Wen of Beijing has nudged US President Bush into speaking out against this trend, this is not the end of the story. President Chen is aware that China's military might is growing steadily and by the end of the decade it might be able to coerce renegade Taiwan back into the mainland fold through military pressure. Why wait for China to achieve that capability? Chen is also aware that he would put Beijing in a real dilemma if he chose to declare independence just short of the Olympics, knowing full well any military action by China would lose Beijing the Games and plunge China into a period of severe economic losses. Remember Moscow and the Russian invasion of Afghanistan! But Chen should not underestimate Beijing's mettle. Taipei is not Berlin. Nationalism is the overarching sentiment that binds Chinese together in modern times – both those that support and those that oppose the Communist establishment. Patriotic Chinese will not tolerate Taiwan's permanent breakaway. Chinese national pride hangs on this issue. So remember, surprises can happen.

Another major foreign policy issue that could upset the apple cart in 2004 is China's neighbour **North Korea**. It is clear that despite the best efforts of China and the West to end Kim Jong I1's nuclear brinkmanship peacefully, the mentally unstable Pyongyang leader is quite capable of loosing off a few missiles and plunging the countries of the region into a major crisis.

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Economic Powerhouse

Risks also revolve around **trade**. As per tradition, US election politics is skewing foreign policy. While businesses are rushing to set up factories in China, conservatives are accusing China of stealing American jobs. A punitive tariffs war has so far been avoided after Wen's cordial talks with President Bush in Washington. But the rhetoric from elements of both major US parties could potentially lead to tense moments and unsavoury actions in US-China relations in 2004. However, a strong mitigating factor emerged in the debate in recent weeks, as it dawned on the polemicists that China is actually now a second economic powerhouse driving world growth alongside the US. China's imports have grown in pace – more than that in fact – with its exports. Chinese demand for everything from imported consumer goods to raw materials and natural commodities is keeping many people in jobs in the industrialized nations in the Americas, Europe and Asia. There is more of a quid pro quo than the China bashers first realised.

What we have seen then in 2003 is China becoming more integrated into the global economic quilt work, and what we will see in 2004 is that process maturing even further. However, that said, we should always be prepared for surprises.

by Peter Humphrey
year end 2003

Peter Humphrey is a leading China business risk management consultant and corporate investigations specialist with 25 years experience in Greater China and Eastern Europe, including positions at Reuters, PriceWaterHouseCoopers and Kroll Inc.
He can be contacted on 86-21-5988 0206 or by email at phumphrey@mail.online.sh.cn

Recent Foreign Investments / Joint Ventures

USA

LIBERTY MUTUAL, Boston-based insurance group, is set to establish its first wholly-owned branch in Chongqing Municipality, making it the first foreign insurer to start business there. The company will introduce property and casualty insurance services to foreign-funded firms, small and medium-sized enterprises and later to individual customers in such areas as auto, home, property and personal liability insurance.

FORD MOTORS will boost investment in China by more than US$ 1 billion over the next few years to expand output seven-fold. Production at its joint venture Chongqing Changan Automobile Co would rise to 150.000 units from 20.000. Investment plans include a second car plant and an engine unit.

GENERAL MOTORS is expanding the range of models and brands it sells in China. GM's auto finance subsidiary also plans to enter the market soon to offer car loans. Other automakers, from Volkswagen to Daimler Chrysler, Ford, Toyota, Honda and Nissan, are also making efforts to increase sales in China. In the months January to September 2003 total vehicle sales were 1.454.522, up 69% on the same period last year.

AIG, AMERICAN INTERNATIONAL GROUP is to buy a 9.9% stake in People's Insurance Company of China (PICC). The companies will co-operate in developing accident and health insurance in a deal that will enable AIG to expand its presence in China. The price of the stake is understood to be about US$ 200 million.

UNDERWRITERS LABORATORIES INC established its first 50-50 joint venture in China with China Certification & Inspection Group Co., China's largest inspection Co. company, based in Suzhou. The joint venture, UL-CCIC Co Ltd, will offer testing and certification services for China's manufacturers, a must for many export-oriented products.

UNILEVER hopes to float its Chinese subsidiary on the Shanghai Stock Exchange in 2005 or soon after. Foreign-owned companies require three years of profits before they can list in China. It is thought that Unilever completed its first year of profitability. Home and personal care products sold in China range from Lux soap and Omo detergent to food including peanut butter, soy sauce and ice cream.

FAIRCHILD SEMICONDUCTEUR opened Fairchild Semiconducteur (Suzhou) Co Ltd with a total investment of US$ 300 million. The factory's products will range from computing, communications, consumer electronics, industrial and automotive applications. It is Fairchild's first assembly and test facility in China.

BOEING intends to launch a US$ 100 million project at Pudong International Airport to repair and refit aircraft by co-operating with Shanghai Airlines and the local airport authority. Boeing will hold a 51% stake in the investment. Construction will start at the end of 2003 and be put into operation in 2005.

MCKINSEY, leading consulting firm, will enlarge its pool of local consultants to provide better services for businesses. The company opened its first subsidiary in Shanghai in 1993 and has completed more than 500 consulting projects in China.

COMPUTER ASSOCIATES (CA) is aiming to double its revenue in China over the next three years. The company will expand its work force of 260 Chinese to at least twice the number. As a first step the firm will recruit 100 local people this year to take its research team to 140. Business will focus on industrial solutions for banking, finance and telecommunications.

GLADSTONE POWER ENERGY CORP jointly with China United Coalbed Methane Corp. will explore coalbed methane in Hubei Province. The exploration area covers 304 square kilometres and is estimated to have reserves of more than 5 billion cubic metres.

Gladstone will shoulder the risks during the exploration period. If a commercial discovery is made, the 2 companies will invest, develop the area and split the products according to their shares.

GENERAL ELECTRIC expects to generate US$ 3 billion in China sales this year and its business is growing 30% a year. It opened a US$ 64 million technology research and training center in Shanghai. GE sees big opportunities in power generation.

WARNER BROTHERS INTERNATIONAL and Shanghai Cinema Group plan to build 10 multi-plex cinemas in China. At least two theatres will be 51% owned by the US film studio, including a 2.200-seat theatre in Nanjing and another in Wuhan.

DUPONT has started to build its China Corporate Research & Development (R&D) Centre in the Zhangjiang High-Tech Park in Shanghai's Pudong District with a planned investment of US$ 15 million. It will accommodate 200 scientists and focus on technical marketing. Due to open in 2005, it will be Dupont's third R&D facility outside the US, the other two being in Europe and Japan. Dupont now has 23 wholly-owned and joint venture manufacturing facilities across China, with investments of US$ 700 million and 3.000 employees.

EASTMAN KODAK and China Lucky Film Corp. signed a US$ 100 million 20-year cooperative agreement. Kodak will contribute US$ 45 million in cash and provide an emulsion-making line for colour products to buy a 20% stake in Lucky Film.

PROCTER & GAMBLE funded another US$ 481.000 to the China Youth Development Foundation for building another 25 Hope Schools in China's remote and rural areas. This latest gift increases P&G's total donation for 100 hope Schools to US$1.93 million since 1996.

JOY GLOBAL MINING MACHINERY opened a service and warehousing centre in the Inner Mongola Autonomous Region. The company, the biggest foreign-invested business in the northern city of Baotou, also has a representative office in Beijing.

CATERPILLAR signed a memorandum of understanding with Shandong Equipment Machinery Co.

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Caterpillar now operates eight manufacturing joint ventures and wholly-owned firms in China producing hydraulic excavators, diesel engines, undercarriages, iron castings and machinery components.

BEARINGPOINT, leading consulting firm, with offices in Beijing and Guangzhou and some 600 staff, will soon open a new branch in Chongqing. The company serves top firms in China, including SinoPec, China Mobile, China Telecom, Petrochina.

INTERNATIONAL FINANCE CORPORATION, the private sector arm of the World Bank Group, will invest US$ 6.5 million in Wumart Stores, a leading retail store operator in Beijing. Wumart represents the first investment by IFC in a Chinese retail company. Wumart is China's first non-State owned retailer to issue shares in Hong Kong.

DELOITTE, leading service company, is planning to invest US$ 150 – 200 million over the next five years in China. The money will be spent on people and the training of people. Deloitte will help with the reform of State-owned enterprises. Deloitte is already providing audit, tax and consulting services through 2.500 people in nine major cities.

DELPHI, world's largest automotive components supplier, will open two new technical centres in China and South Korea. The initial investment in the two centres will be US$ 40 million. The new centre in China will be located at Delphi's wholly owned entity in Shanghai. It will start operations with 500 employees in June 2005.

JAPAN

TOYOTA has received approval from Chinese authorities for an engine production venture in Guangzhou. Toyota and Guangzhou Automobile Group applied for permission with a plan to begin operation in 2005. The venture is expected to have an annual production capacity of 500.000 engines worth US$ 3.8 billion. Of them, 200.000 engines will be exported to Thailand, Taiwan and possibly Japan.

SHISEIDO, Japan's leading cosmetics group, plans to boost sales in China five-fold to US$ 900 million during the next five years. The company opened a specialty cosmetics store in Shanghai that will be a model for the 5.000 stores it hopes to secure across China by 2008. It will also set up a holding company next year to oversee its Chinese operations which include a research facility, sales offices and factories.

KONICA MINOLTA HOLDING (KMHC) will transfer all its digital camera manufacturing operations to China. It aims to increase its sales of digital camera in the Chinese market from its current 5% share to 15% by 2005. KMHC now has 11 subsidiaries in China with more than 10.000 employees and sales of US$ 1.37 billion last year.

JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION opened its fourth overseas office in Beijing, hoping to form a bridge between the auto industries of the two countries. It will represent the association and exchange information promoting collaboration. JAMA's other three overseas offices are Washington, Brussels and Singapore. China's market is expected to exceed 4 million autos this year. Twelve of JAMA's 15 members have invested billions of dollars in China.

HONG KONG

HUTCHISON WHAMPOA, the Hong Kong conglomerate controlled by Li Ka-shing, and Tong Ren Tang Group, producer and retailer of traditional Chinese medicine, will form a joint venture in which Hutchison will hold a stake of about 50%.The venture is an effort to tap into growth both in China and in overseas market. Sales rose from Rmb 42.5 billion in 2001 to Rmb 48.8 billion in 2002.

TAIWAN

CHINATRUST FINANCIAL, Taiwan's fifth largest financial services group, is considering purchasing a mainland bank as soon as Taiwanese political restrictions on such transactions ease.

AUSTRALIA

CHEVRON TEXACO and China National Offshore Oil Corporation (CNOOC) concluded a framework agreement whereby Australia will supply liquefied natural gas to China for 25 years from the Gorgon project in Western Australia. The contract, worth US$ 21 billion, is the largest export deal ever for Australia. CNOOC will buy a 12.5% stake in Gorgon, which has proven reserves of 365 billion cubic metres.

KOREA

HYUNDAI HEAVY INDUSTRIES CO LTD, established a joint venture, Hyundai (Jiangsu) Construction Machinery Co Ltd, with Changlin Co Ltd in Changzhou National New & High-Tech Industrial Development Zone. With a planned initial investment of US$ 29.9 million, the joint venture will focus on the production of excavators and equipment accessories.

CANADA

SUN LIFE FINANCIAL INC. has been granted approval by the China Insurance Regulatory Commission to begin operations for selling life insurance in Beijing with its joint venture partner China Everbright Group.

GERMANY

TUI CHINA TRAVEL CO LTD, China's first Sino-foreign tourism joint venture, was established during the visit of Chancellor Schroeder in Beijing in early December. TUI is the largest tourism company in Europe. Currently, the company is still focused on inbound tourism.

METRO, third-largest European retailer, will spend US$ 694 million to add as many as ten stores a year for a total of 40 new stores. The company plans to hire about 2500 people annually in China. Metro is pitting itself against Wal-Mart Stores and Carrefour who have 27 and 39 stores respectively in China.

THYSSENKRUPP is to spend about 120 million Euro over the next two years on a series of steel processing plants in China to provide specialised forms of the metal for the expanding Chinese auto industry. The company hopes to expand its sales in China to about 800 million Euro in the next three years.

BERTELSMANN, German publishing group, will create China's first Sino-foreign book retailing joint venture by taking a 40% stake in the local retailer 21st Century Book Chain. Some 20 of 21st Century's stores will be remodelled into Club Centres that will offer only the 150 – 200 titles offered by Bertelsmann's club operation which claims 1.5 million Chinese members. 21st Century is China's first private retail book store chain.

MESSER GROUP, specialist in industrial gases, has production plants in Shanghai, Jiangsu, Zheijiang, Hunan, Guangdong, Sichuan, Yunnan and Jilin provinces and plans to further expand in China. The company has plans for a total of ten new projects with an investment volume of US$ 58.5 million over the next four years. Messer has been growing from zero in 1994 to its current total of 14 companies with an investment of US$ 183 million.

FRANCE

BNP PARISBAS expects final approval from Chinese regulators by the end of 2003 for an asset-management joint venture with Shanghai & Wanguo Securities Co with US$ 12 million in registered capital.

BNP PARIBAS formed China's first wholly foreign-owned bank by taking over the share of its Chinese part-

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ner, Industrial & Commercial Bank of China, at an undisclosed price. The venture has been renamed BNP Paribas (China) Ltd. BNP opened its first office in Shanghai in 1860, and was the first European bank to return when the government allowed foreign investment in the late 1970s.

THOMSON and TCL Holdings of China will combine their television and DVD business to form what will be the world's biggest maker of television sets. The combined companies would produce 18 million sets a year and generate annual revenue of US$ 3 billion. Thomson will own 33% of the combined TCL-Thomson Electronics, while TCL will hold the remaining 67%.

COFACE, leader in credit insurance, opened its Beijing office and signed an agreement with China Merchants Bank to incorporate its web-based rating solutions into the bank's online platform. This will enable customers of Merchants Bank to check the credit worthiness of 44 million companies worldwide.

AIR FRANCE signed an agreement with China Southern, one of China's leading airlines, to jointly operate Guangzhou-Paris flight services. The new route will take off January 6, 2004, with Air France making the flights in the initial stage. Customers will have a choice of 11 flights a week.

ITALY

FATA GROUP will expand existing ventures in engineering, materials, logistics and service sectors. Fata hunter, a subsidiary of the Group, will set up a wholly owned company in the engineering sector which will design aluminium, steel and stainless steel processing lines. Second, Fata will increase investments in its aluminium joint venture Nanjing Fata Tooling, whose Chinese partner is Nanjing Yuejin Tooling Co.

ENGLAND

INTERCONTINENTAL HOTELS GROUP is planning to open two budget hotels in Shanghai and Beijing in the next two years.

ROLLS-ROYCE MOTOR CARS expects to sell 50 vehicles on the mainland and in Hong Kong in 2003. The 6.7-litre Phantom will sell from between US$ 658.000 to US$ 706.000 on the mainland. At present, there are about 50 limousines on the mainland and 1.000 in Hong Kong.

SCOTTISH & NEWCASTLE, Edinburgh-based brewer, is in talks on buying a 20% stake in the listed vehicle of the Chongqing Brewery Group, the dominant beer maker in the western Chinese city. S&N is expected to pay US$ 63 million to buy the shares.

LUXEMBOURG

ARCELOR, big steel-maker, is due to sign an agreement to spend about 100 million Euro on a share of a steel plant in Shanghai to be built with Baosteel of China and Nippon Steel of Japan. The company will take a 12% share in a US$ 750 million plant in which Baosteel will hold 50% and Nippon Steel 38%. The plant should be in operation by 2005.

DENMARK

CHR. HANSON, major supplier of yoghurt culture, food colouring and food yeast, opened its first office in China. In 2002 the company had a 40% share of the Chinese market of culture for milk products which grows more than 20% a year.

SWEDEN

SKF, supplier of rolling bearings and seals, opened its latest factory in Shanghai. SKF (Shanghai) Bearing Co Ltd, is a joint venture between SKF and the Shanghai Bearings Corp. SKF has the majority shareholding of 60% and SBC holds the remainder. With an investment of US$ 16 million, the factory is located in the Shanghai Pudong Jinqiao Export Processing Zone. This is SKF's fifth joint venture in China and its second with SBC.

Summary by Paul Wyss

In Brief

– Shanghai legislators are to pass regulations curbing the number of new tall buildings. The city is now home to more than 3.000 high-rises of 18 floors or more, and the huge buildings are being blamed as the city sinks some 1.5 centimetres annually. By the end of June 2003, another 2.000 buildings with more than 18 floors were either under construction or in the planning stage.

– Of China's 600-odd cities, over 60% have their water supplies heavily relying on underground water. In North and Northwest China, underground water accounts for, respectively, 72% and 66% of the water supply on average. The number of Chinese cities suffering from insufficient water resources, both surface and underground, has been counted at 106. The Institute for Geo-Environment Monitoring warns it is time to for resolute moves to save underground water.

– China is expected to require nearly 2.400 new airplanes worth US$ 197 billion over the next 20 years, according to Boeing Commercial Airplanes. From 2003 to 2022, air traffic in China will grow at a 7.1% annual rate, compared to the world average of 5.1%. China will account for 38% of the total Asia-Pacific new airplane requirements over the next 20 years. About 1.960 new planes will be needed to serve do-

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Deutsche Post World Net
MAIL EXPRESS LOGISTICS FINANCE

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mestic markets, including Hong Kong and Macao, and about 400 will provide international service.

– More than 700 projects covering urban road construction, water supply, gas and heating systems and waste treatment in most medium and large cities of China are now open to all investors, the Ministry of Construction announced. They were previously monopolized by State enterprises. China has 662 cities and 20.358 towns with a total urban population of 481 million. During the next 20 years, towns and cities are expected to grow about 1.5% per year.

– Chinese companies and banks that operate near border areas with the nation's trading partners are now allowed to accept payments in Vietnamese Dong, North Korean Won, Russian Rubles and other foreign currencies, according to the State Administration for Foreign Exchange. The rule, intended to increase trade, replaces a requirement that only Yuan and US dollars be used in border trading.

– According to the American Chamber of Commerce in China (AmCham China) US businesses are satisfied with the performance of their operations in China. Out of 254 survey respondents, 10% said their business was very profitable and another 65% said it was profitable. Of the remaining 25%, 91% believe they will begin to make a profit within three years. Over 80% of the businesses surveyed expressed an intention to increase their activities.

– Daniel Vassella, chairman of Novartis, thinks China will soon be among the top five world markets for pharmaceuticals, and at the current growth rates would surpass the US by 2020.
  China's market is about US$ 5.5 billion a year. If the present growth rate of 20% a year continues, it will be the world's largest market by 2020.

– Major Chinese commercial banks are emphasizing the development of overseas business to increase their global competitiveness. China Construction Bank is preparing to open a branch in Seoul. In February 2003 the bank opened its fifth overseas branch in Tokyo. For Bank of China, the country's largest foreign exchange bank, overseas operations already account for half of its total. By June 2003 the bank had established 560 branches and representative offices in 27 countries.

– China ranks third in the world for spending on research and development according to new OECD figures. In 2001 total R&D spending came to US$ 60 billion, behind the US and Japan, which spent US$ 282 billion and US$ 104 billion respectively, but ahead of Germany with US$ 54 billion. R&D spending in China comes to 1.1% of GDP-, with 60% coming from domestic and foreign companies, and the rest from government.

– From January 1, 2004, China will cut a tax rebate to exporters by an average of three percent from the current 17%. China introduced the rebate in the aftermath of the Asian financial crisis to avoid a devaluation of the Yuan. The surge in exports and the Yuan's peg to the dollar have come under fire from US and EU officials who accuse Beijing of manipulating its currency to gain unfair export advantage.

– China will reduce the number of its army servicemen by 200.000 before the year 2005, the State Council and Central Military Commission announced. CMC Chairman Jiang Zemin said military reform would continue for the purpose of improving the army's mobility, competitiveness and combating ability.

– Despite its robust growth, the Chinese economy is expected to live with long-term rising unemployment, mainly due to labour oversupply resulting from the reform of over-staffed State firms. The number of new job-seekers entering the market is expected to reach about 15 million each year between 2003 and 2020.

– The world's largest shipyard is to be built on Changxing island in Shanghai. Under the US$ 3 billion scheme, China State Shipbuilding Corp. will become the world's largest shipbuilder by 2015, increasing its capacity from the present 3 million tons to 12 million tons. Eight kilometres of Changxing's coastline have been earmarked for the project.

– The 94th session of the Guangzhou Export Commodities Fair attracted 150.485 business people, whereof 56.425 came to the fair for the first time. Chinese exhibitors clinched export deals worth $ 20.49 billion, an increase of 11.6% over the 1992 fair. Machinery and electronic goods earned the lion's share with deals worth US$ 8.2 billion. Deals with European visitors accounted for US$ 6.1 billion, those with US firms US$ 3.67 billion.

– China started a new drive to reform its state-owned enterprises. The commission for state-owned assets under the State Council will accelerate the process of selling state enterprises to foreign and private companies over the next 2 years. The State Council wants to see the emergence of 30 – 50 internationally competitive enterprises, which would also be the leaders in their industry sector.

– Since China began its reform strategy in 1979, more than 580.000 Chinese students have gone abroad to pursue advanced studies. About 150.000 of them have returned to China. China has worked out a range of measures to encourage more overseas students to return home, including earmarking funds to help start up their own companies.

– China has established a council of international advisers to the China Banking Regulatory Commission (CBRC) on how the country should reform its financial system. Members of the Council include Sir Edward George, former Governor of the Bank of England, Gerry Corrigan, former president of the New York Federal Reserve, Andrew Crockett, former general manager of the Bank of International Settlements,

(continued on page 28)

Sir Howard Davies, former head of the UK's Financial Service Authority.

– Some 573 star-level hotels in Beijing are being encouraged to conduct environmentally-friendly conversion. Most hotels were built 15 years ago and their common defect is to have an insufficient air replacement rate or none at all. The number of star-level hotels in China at the end of 2002 amounted to 8.880. There were 175 five-star, 635 four-star, 2.846 three-star, 4.414 two-star and 810 one-star hotels.

– Shanghai's municipal government is still strongly leaning towards building a Disney theme park. Walt Disney Co has so far focused its attention on the Hong Kong park due to open in 2005, which will cost US$ 3 billion. Shanghai has been in contact with Disney for some time to build a park in its Pudong district. Construction could start in 2010 if negotiations proceed smoothly.

– Traffic accidents, with 75.841 in the first nine months of 2003, have become the top killer among various accidents across China. In 2002, casualties stood at 109.363, or 78.5% of those killed in all accidents. A recently released finding disclosed that nearly half of the drivers said they had dozed off while driving.

– Shanghai's population has surged to more than 20 million people, soaring by 3 million over the past year amid an influx of job seekers from other parts of China. The influx of people has left roads and subways jammed. Housing prices have soared. More than 400.000 jobs were created in Shanghai this year.

– China is well on its way to sending an unmanned space probe to fly to the moon, with the first orbiter spacecraft expected to take off within three years. Chinese experts are working hard to ensure the success of this lunar mission. Weighing about two tons, it is projected to orbit the moon for at least 12 months.

– The county's biggest nuclear power plant is expected to be built in Yangjiang, a port city in Guangdong province. Construction of the project will start in 2006. Foreign companies from the US, Japan and France are competing with domestic firms to bid for the design of the project. Construction is estimated to cost more than US$ 8 billion.

Summary by Paul Wyss

Establishing Auto Financing Companies

The long-awaited Administration Measures on Automobile Financing Company ("Auto Financing Company Rule") was finally adopted on October 3, 2003 by the country's new banking industry watchdog – the Chinese Banking Regulatory Committee ("CBRC") and became effective on the same day. The Auto Financing Company Rule has set out the legal framework for the brand new form of financial institutions, with its applicability extended also to foreign investment auto financing companies ("AFCs"). On November 11, 2003, the implementary rules of the Auto Financing Company Rule were accordingly promulgated and became effective as of the same date. The Auto Financing Company Rule and its implementary rules have fulfilled one of the key commitments made by China upon its World Trade Organisation ("WTO") entry at the end of 2001, when China undertook to liberalise the auto financing service sector right upon the accession. However, the actual implementation of the commitment, not like in other service sectors where Chinese government has at large complied with the WTO specified schedule, was controversially deferred for nearly two years.

For the last a few years, China has witnessed an extraordinary growth in the auto industry. 2002 was yet another record year for both auto manufacturing and auto sales. A total of 1.02 million new cars were sold from January through November in 2003, 55 percent up on the corresponding period in the pervious year. Nevertheless, most vehicles sold in China are paid for in cash. Deals that are financed through auto loan account for meagrely 15 – 20 percent, while globally the figure runs up to 70 – 80 percent. The lucrative auto finance business thus has a promising potential in this fastest growing auto market. The Auto Financing Company Rule eventually gives the green light for foreign auto finance companies, normally the auto finance subsidiaries of the world major auto manufacturers, to set up their one-stop shops to provide the Chinese private auto customers and distributors with sophisticated and tailored financial services. The details of the Auto Financing Company Rule may be outlined as follows:

Prerequisites

Foreign and domestic non-financial institutions wanting to set up AFCs in China must have a minimum 4 billion yuan ($ 483.2 million) in assets and a minimum 2 billion yuan ($ 241.6 million) of yearly turnover. Less stringently, financial institutions (excluding commercial banks) will need 300 million yuan ($ 36 million) in total assets. Although the asset requirement has been cut in half from the original draft version, the rules still effectively fence off smaller players and ensure only the biggest could be qualified.

Even though any form of foreign or domestic investors might initiate to found an AFC, the principal investors are required to be auto manufacturers, auto sellers, or non-bank financial institutions, with their contribution not less than 30% of the equity capital.

Incorporation requirements on the AFCs

The minimum equity capital of an auto finance company is 500 million yuan ($ 60.4 million), which must be fully paid off.

At least 60% of the personnel of an AFC shall have previous finance-related working experience or shall obtain university graduate diploma in financial subjects.

The senior management of the auto finance will require the approval of CBRC in accordance with specified qualification conditions, or shall make lodgement with CBRC.

The incorporation of an AFC foresees two stages: the preparation stage and business commencement stage. The whole process involves the lodgement of respective application documents, the examination and approval of CBRC, the preparation work done by the applicants, and eventually the extension of auto financing service license and may last for altogether up to 15 months. This means that the first AFC might expect to commence its operation not early before the year-end 2004.

Business scope of AFCs

An AFC may carry out partially or completely the following RMB yuan business activities:

- Taking deposits with maturity of no less than 3 months from domestic shareholder(s);
- Extending auto purchase loan;
- Extending loans to auto dealers for auto purchase or operational equipment purchase;
- Assigning or selling auto loan receivables;
- Borrowing from financial institutions;
- Providing guarantees for auto purchase loan;
- Agency activities in connection to auto purchase financing; and
- Other loan business approved by CBRC.

Noteworthy, auto leasing business, which used to be included in the original draft version, is crossed out from the adopted scope of business, meaning the AFCs are not allowed to conduct leasing transactions.

In addition, AFCs are restricted to issue bonds or undertake loans abroad.

Prudential supervision

The capital adequacy of AFCs is set at the level of 10%, considerably higher than the 8% applicable to commercial banks. The core capital shall amount to no less than 50% of the capital basis.

AFCs are required to apply the five-tiered loan categorisation system and set aside sufficient provisions for loan loss.

Large exposure ratio is maximum 15% and the credit

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Next Event Legal Chapter

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Time: 10:15 till 13:00 h (sandwich lunch)
(see page 7 for details)

balance extended to the largest 10 borrowers shall not exceed 50% of the equity capital.

The liquidity ratio shall not be less than 100%.

The interests charged to the auto loan may float 10 – 30% above or below the statutory interest rate announced by the People's Bank of China.

Furthermore, AFCs are required to establish sound corporate governance and efficient internal control systems, provide financial reports regularly to CBRC and subject to the inspection of CBRC.

Assessment on the comparative advantage

Currently the auto financing service is provided predominantly by domestic commercial banks, together with certain finance companies affiliated to automobile groups. It is inevitable that auto financing companies have to confront directly with commercial banks outright from its birth. Among others, here below are certain institutional features that may render concerns for auto financing companies to keep alert:

– The inflexible interest rates – a national policy – basically deprive AFCs of the margin to offer much more favourable interest rate than those of their rivals;
– AFCs can only source their operational funds though three channels: (1) the capital contribution, (2) the deposits of domestic shareholders and (3) the borrowings from financial institutions. On the other hand, commercial banks' holding on huge saving deposits from the public provides them with much more funds in the auto financing business.
– One investor can establish only one AFC and AFCs are not allowed to establish branches or subsidiaries. Thus, the business coverage of AFCs is to a very large extent limited by its lack of network of outlets. On the other hand, commercial banks continue to have their offices or branches all along the country.
– The lack of credit rating systems and inadequate rules to combat loan default feature the auto loan financing business as high risk activities. For AFCs, as the new comers in the market, it is doubtful that they could manage to properly address the potential risks.

Conclusion

Nevertheless, it is reported that General Motors Acceptance Corporation, the auto financing arm of GM, has submitted its application to CBRC for setting up its AFC in China. Ford and Volkswagen have also made preparations for car financing business in China and have begun to apply for operating licenses. It will be still too early to make any assessment on the success of AFCs in the Chinese market. However, the fast development of the auto industry in China and its potential impact on world auto industry might make any falter in decision an unforgivable mistake. It is truly the time for strategy maker in the auto finance industry to start thinking of their way to China.

Wenbin Wei
Attorney-at-law, LL.M.
KPMG Legal

China Announced VAT Rebate Cut

As reported earlier, China has officially announced a reform in its VAT rebate policy on exports. Mid October 2003, the Central government unveiled details about the new regulation: On average VAT rebates for exported goods will fall by 3 percent, depending on the type of products. The changes will take effect on January 1, 2004. The Central government's reason to propose such a reform seems to be a mixture of two factors:

The increasing amount of outstanding refunds (estimated to total RMB 300 billion; US$ 36.3 billion) on the one hand, and pressure from Western countries (especially the United States) on China to depreciate the Yuan on the other hand. According to Dong Tao, Chief Economist for Credit Suisse First Boston, the reform "is in effect a 4 per cent revaluation of the renminbi" (as quoted in the South China Morning Post).

Businesses located in China's developed areas like Shanghai or Guangdong will be hit hardest, since the local governments in these areas usually execute new policies very strictly, while inner Chinese governments often show more flexibility.

Some provinces might for instance come up with other preferable treatments to neutralize the negative price impact. However, analysts expect the impact on Chinese exports not to be too high. Indeed the changes do not affect all product categories, and they reflect policy priorities of the Central government:

– Products which have a strong domestic demand and are therefore not seen as strategic export goods see the strongest rebates cut: Rebates on raw materials (e. g. crude oil, petrol, fuel oil), minerals or paper/pulp see a cut from 13 percent down to zero.

– On the other hand, agricultural products like edible powders (e. g. wheat powder) see an increase in VAT rebates, as a way to encourage more export on relevant products.

– A number of products such as aircraft, ships, automobiles and related components, railway & train, telecom and medical equipment, machines (lifting & engineering, construction & mining etc.) remain unchanged and continue to enjoy their 17 percent rebate rates.

Products not specifically listed above fall under the following regulation: Items currently with tax rebates of 17% and 15% are to be reduced to 13% – this applies e.g. for steel, chemicals, plastic and rubber, clothing, textiles, toys, shoes and leather products; Items with tax rebate of currently 13% are to be reduced to 11%.

Source: Fiducia Management Consultants

Please visit their website (www.fiducia-china.com) for a detailed list of the new VAT rebate regulations.

Foreign Banks Get Green Light

For the first time ever, China is allowing eligible foreign banks to provide renminbi services to domestic enterprises effective December 1, 2003. Liu Minkang, Chairman of the China Banking Commission, made the announcement. Previously, foreign banks were only allowed to provide renminbi services to foreign enterprises and individuals as well as Hong Kong and Macao citizens. Jinan, Fuzhou, Chengdu and Chongqing have joined Shanghai, Shenzhen, Tianjin, Dalian, Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan as cities in which foreign banks are permitted to conduct local currency services. The CBRC also made amendments to the current six-level arrangement for operating capital requirements on foreign-funded financial institutions, reducing the minimum requirement for the biggest level from US$ 72 million to US$ 60 million, and from US$ 60 million to US$ 48 million for the second biggest level.

By the end of October 2003, 62 foreign banks had set up a total of 191 operating entities operating in China, with 84 of them holding a local currency license. Their total assets shot up by 29.7% in the first 10 months of the year, while profits from renminbi operations at the 84 licensed outlets increased by 37%. The foreign banks' outstanding foreign currency loans stand at US$ 16.4 billion, accounting for 13% of the nations total.

Source: China Daily

The Pearl River Delta

Forward Planning to Integration between Hong Kong and Guangdong

The 2nd Pearl River Delta Conference was held in Hong Kong of 17th October, attended by many academics and Government leaders from Hong Kong, Macao (which signed it's own CEPA agreement with China also that day) and the various mainland Governments involved, including senior officials from Shenzhen, Zhuhai and Guangzhou. The conference was a more pragmatic affair with several key problems being highlighted as areas to overcome. We have analysed these main points and comment as follows:

Lack of International Awareness of the PRD

While the concept of the Yangtse River Delta (YRD) and Shanghai's role in developing this has been well defined by the Chinese, the political and historic differences between Hong Kong and Guangdong have prevented on many levels a similar joint marketing effort being promoted and the awareness of the Pearl River Delta (PRD) is not at similar levels to that of the YRD.

However, in contrast, the region exports approximately 38% of all mainland goods (18% for YRD), has a higher GDP and a better infrastructure. Invest HK have now taken a lead here and have agreed with the Governments of Macao, Zhuhai, Shenzhen, Dongguan and the Provincial Government in Guangdong (in Guangzhou) to jointly market and promote the region as a single entity rather than as individual units as has been the case in the past.

This marketing strategy is still being determined but should be in place for early – mid 2004.

Internal Competitiveness amongst Neighbouring Governments

Thus far, there has been a lack of co-ordination amongst regional Governments leading to unnecessary developments driven by local rather than regional planning. The massive investment into Zhuhai airport is one example. While local factions and rivalries will undoubtably still come into play, a mass realization, without doubt based on the principles of gratuitous self interest, will however still be the driving force behind integration as reality has set in now that in order to compete with other international developing "super regions" in Brasil, India and SE Asia the traditional rivalries must be put on the back-burner for all to prosper with the minimum amount of expenditure. Curiously, therefore the same elements of competitiveness and capitalism that have thus far lead to internal divisions within the region will now be put to a far wider use and forge the path ahead for the "super region" of the PRD.

Hong Kong's Financial Integration

Hong Kong has a serious issue to contend with, and a choice must be made between developing it's middle management (who currently cannot earn enough to be able to get onto the housing market) and it's current property based economy who want to see high prices for property prevail. As at today the property developers are winning. However, market forces must eventually push HK property downwards as migration of population to China to live in far more reasonably priced property eats into Hong Kong's services talent pool and this diminishes the actual human resources Hong Kong has to sell.

This is a very tough call to make but Hong Kong must choose between maintaining high property prices – with some serious vested interests there – and developing the skills and retaining such of it's latent population. Our guess? A long time coming yet, but we are seeing significant developments now taking place in China and elsewhere in Asia as regards Hong Kong property companies expanding their portfolios externally from Hong Kong and as their risk is spread property prices in Hong Kong can be allowed to be managed in a more reasonable manner. Still a good bet for some short terms and long term gains in property in Hong Kong but for medium-term investments as the developers seek to diversify their risk there may be market uncertainties here so tread carefully.

Hong Kong's Role

The role of the Stock Exchange is changing, and as China's main entry point for international capital the essence of what the HKSE represents is changing too. So will the services to be provided as part of this. To date, much of Hong Kong's Exchange has tended to be funding driven by services, however with industrial listings now being achieved by Chinese companies involved in matters such as steel, automotive, chemicals and so on the level of expertise required from analysts is going to have to change too. Previously they have relied on financial services and traditional Hong Kong plays such as IT, Telecommunications and so on, but this will move to a broader based listing of companies creating opportunities from brokerages and financial institutions geared more towards heavy industry and global markets. This change is in fact long overdue and should be welcome news for Hong Kong as it has a growing role to play. However, the supply of such professionals to undertake this work is linked to the ability for them to be

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able to prosper and live decently in their own city without having to price themselves out of the competitive market caused by property prices. So here we see the opportunity – Hong Kong's great challenge is to manage that while keeping the developers happy. If it cannot, it will loose it's place as a services center, and there is a perfectly viable and functioning stock exchange just across the border with Shenzhen.

Regional Transport and Integration

Hong Kong possesses a truly world class airport in Chep Lap Kok and the route is well loved by international businessmen. Although connecting flights to other mainland cities is relatively good via Dragonair, and should become even more competitive with Cathay Pacific recently winning, for the first time in 25 years, routes to cities such as Beijing and Shanghai, the fact remains that access to Guangdong from Chep Lap Kok is pretty dreadful. Partly due to Hong Kong's previously selfish interests in keeping businessmen in Hong Kong for a day and a night before travelling onwards into China, this must change. A logical mainland hub would be Guangzhou's Baiyuan Airport, recently significantly upgraded and handling far more mainland flights than Hong Kong does. It makes sense then for Baiyuan and Chep Lap Kok to operate in tandem, with clean and easy links between the two via helicopter or similar fast service. Shenzhen and Zhuhai are useful but will probably seek to offer a lower cargo service rather than concentrate on passenger throughput which also makes sense given their positioning. Macao still has and is likely to retain the double edge of being able to handle Taiwan flights with direct links to mainland Chinese cities (a political issue) on it's own, and will be able to support it's own small airport in any event via tourism, especially when the new casino's are opened. Macao's CEPA agreement also allows for easy Macao access for Chinese citizens and Air Macao are likely to benefit from this in the longer run.

Port Services

Hong Kong is currently the largest Port in the world, but again, high prices driven by property and this impacting on salary levels means this sector is also under threat. Both Shenzhen and Zhuhai have built from virtually nothing significant TEU capacity, and while this doesn't appear to be hurting Hong Kong so much as cargo volumes have remained on the increase, reality says that Hong Kong has been losing actual market share for years. There has to be better integration of Port fees and the level of services provided, as Hong Kong faces significant competition from these two cities in particular. Rather than have the prestige of being the world's number one Port by volume a mind-shift is needed to bring Hong Kong's Ports into a better integrated and systematically managed cooperation with these cities or die trying to compete. There are some battles Hong Kong cannot win and retaining a world number one position without lowering costs is going to prove impossible. A more considered approach (and again, we consistently see this linked to property prices) is required to ensure Hong Kong keeps working as a Port servicing the international and China markets in tandem with the other operators on it's doorstep. There is enough tonnage to go around.

Summary

The biggest challenge in Pearl River integration is without doubt the change in mindset that needs to occur within Hong Kong itself. The relationship between Hong Kong and Guangdong should be osmotic, however it needs a systematic endorsement from Hong Kong's Government over policy rather than apparent 'closed door' dealings done with local tycoons that do not always seem to address the wider implications of the challenges facing the Region. Nonetheless, it appeared to these observers at least that a dawning recognition of the issues at large and the challenges ahead is developing. Hong Kong and the Regional Governments themselves have a golden opportunity to make the region one of the worlds superhot manufacturing and service hubs with fortunes to be made and opportunities created. Early days yet, but we saw desire on the part of the mainland Governments to put regional differences behind them and if Invest HK's plans to market the PRD as a whole are carried through to greater integrated actions such as cooperation on legal jurisdiction and standardizing Hong Kong – Chinese professional qualifications then we are on the dawn of a fascinating and immense re-alignment of the PRD as an entire entity. The only thing preventing Hong Kong from jumping head first into better integration with Guangdong is the property issue and the Government is going to have a make a tough call here for developers to expand their portfolios rapidly externally from Hong Kong and to be more pragmatic when it comes to land prices in Hong Kong itself.

Analysis by
Chris Devonshire-Ellis and
Alberto Vettoretti
Dezan Shira & Associates

GIS – New Sino-Swiss Logistic JV

"GIS – Global Industrial Supply" is a new Sino-Swiss Joint Venture focusing on logistic procurement services for both Chinese and European customers from the machinery manufacturing sector.

Beijing Jingcheng Mechanical & Electrical Holding Co. Ltd (JCH), BeiRen Group Co. (the biggest Chinese printing machinery manufacturer) and Beijing No.1 Machine Tool Plant have concluded their joint venture (JV) contract with LB Logistikbetriebe AG, Baden Switzerland (LB), for the establishment of "GIS-Beijing Jingcheng Industrial Logistics Co., Ltd" in Beijing on December 11th 2003. LB Logistikbetriebe AG has bought the joint venture coupons of the added share-hold.

Beijing Jingcheng Mechanical & Electrical Holding Co. Ltd (JCH) is a state-owned company, who has a total number of 61 business enterprises including 47 industrial manufacturing enterprises, 3 research institutes, 6 trading companies, 1 real estate company and 2 educational institutes. JCH has a total registered capital of 1.36 billion CNY with a total number of employees of over 45'000. JCH will achieve a revenue of over 7 billion CNY in the fiscal year 2003.

Over 100 guests and delegates coming from Beijing municipal government, local authorities, Ministry of Commerce (MoC) and Beijing major industrial enterprises attended the contract signing ceremony.

The new logistic JV company will operate under the Business Logo "GIS – Global Industrial Supply" acting as a pioneer with focus on providing professional industrial logistic services for both Chinese and European customers from the machinery manufacturing sector.

The total settled investment for the JV company "GIS" is 150 million CNY with a registered capital of 61,5 million CNY; LB holds 25.2 percent of the JV shares and the other three Chinese parties the remaining 74.8 percent stake.

Various logistic facilities including a new IT/ERP system, 2 stocks in Beijing will be formed in a number of stages as dictated by growth and trends in the Chinese industrial logistics market for supply chain and control. At the beginning of business operation scheduled in the first quarter of 2004, the GIS will employ over 50 people, targeting an annual turnover of 1 billion CNY within 2-3 years.

The main business objectives of the new JV company GIS are:

– To provide professional services including contract management, procurement, market analyses, supplier management, product re-sales, import and export transactions, logistic handling, warehousing, distribution, customer and manufacturer relations, technology transfer, quality assurance, consulting, partner integration and project financing.

(continued on next page)

(f. l. t. r.) Mr. Wang Rui Peng, Vice GM, GIS, Delegate from Jingcheng Holding, Mr. Stonig Günther, CEO GIS, Vice President of the Board, Delegate from LB Logistikbetriebe AG, Mr. Zeng Zhi Rong, President of the Board, Delegate from Jingcheng Holding, Mr. Cheng Gong, Vice GM, Member of the Board, Delegate from LB Logistikbetriebe AG.

– To be a pioneer and key enabler to drive change, increase business performance and help transform Jingcheng Group to a competitive and international leading company.

– To achieve the world class image as a industrial logistic platform for both Chinese and Swiss enterprises.

For further information please contact:

LB Logistikbetriebe AG
Contact: Mr. Gong CHEN
Fabrikstrasse 9, 5401 Baden, Switzerland
Tel: +41-56-205 9615, Fax:+41-56-222 6713
Website: www.lb-log.com

LB Logistikbetriebe AG Switzerland

History

- 1896: Founded as central store operations at BBC Switzerland;
- 1988: BBC/ASEA merger: Central service company for ABB;
- 1991: Independent subsidiary founded as ABB Logistikbetriebe AG, Baden;
- 1993: Acquired by ITC Inotech Consulting AG (BBC/ABB Consulting);
- Ownership: 60% ITC Inotech Consulting AG
  40% LB Logistikbetriebe AG

Today

- LB Logistikbetriebe AG becomes a leading, performance oriented company offering a broad range of services and products.
- LB is focused on developing the logistic solutions for big companies like Alstom Power Generation, ABB Switzerland, and some Swiss Utilities. LB Logistikbetriebe AG provides also logistic service for power projects (CCPP, Gas Turbine, HPP, NPP), steel plant world-wide.
- Unique infrastructure: 4 big stores in Switzerland with totally 8’000 m^2;
- Personnel: over 100; Annual material handling volume over 50 MCHF;
- Import, export long term partnership with worldwide 1st class supplier (more than 800 certified and audited manufacturers) and end user;
- ISO9001/14001 Total Quality Management;
- Own material test laboratory (Swiss Test Centre Authorized), which is fully recognized by internationally renowned Institutes. With every kind of metallurgical analyser at our own disposal, we are able to provide clients with test certificates, and even suppliers audits, which are recognized worldwide;
- All products for supply are in comply with IEC, BS, DIN, ISO, AS and ANSI standards.

Business Areas and Orientation

1. Complete sets of assembly material for power plant and substation;
2. Manufacturing parts for power plants, locomotives turbochargers and motors;
3. Instrumentation, thermal elements for all types of Gas-Steam turbines;
4. Electric insulation material;
5. Insulators and Transmission line accessories;
6. Safety equipment for chemical industry, nuclear power plants;
7. Special tools, instruments for industrial assembly;
8. Mechanical and electrical spare parts;
9. Sourcing of all industrial parts for our European customer.

Customer Oriented Top-Services

- Pooling of suppliers / sub-suppliers worldwide
- Issue of quality attests through our laboratory
- Purchasing of manufacturing / cast parts, assemblies, kits, single parts
- Complete instrumentation engineering and handling
- Central stock of all components, duty-free if necessary
- Order specific shipping as per customer requirements
- Optimal purchasing-, storing- and shipping process
- Packing for export worldwide
- Cost reduction through pooling, cost analyses and optimal processes
- Implementation of total cost reduction programs
- Technical and logistic support

Shangri-La – Favourite Choice in Asia

Asia's leading deluxe hotel group, Shangri-La Hotels and Resorts, has been voted Favourite Hotel Chain in Asia in the third annual TIME Readers' Travel Choice Awards Survey. This is the third time for the group to receive this prestigious award.

In addition, Shangri-La's Mactan Island Resort, Cebu in the Philippines was voted Favourite Resort Hotel, whilst the Shangri-La Hotel, Singapore was awarded joint runner-up in the Favourite Resort Hotel category, and the Makati Shangri-La, Manila was voted joint runner-up in the Favourite Business Hotel category.

The survey was open to TIME's readers in Asia and the award winners were voted by the magazine's elite audience of decision makers, based on their preference of Asia's top brands in the travel sector. 'The 2003 awards not only acknowledge an overall standard of excellence at the winning hotels, they are also testament to each hotel's outstanding customer service and amenities', according to Andrew Butcher, President and publisher of TIME International.

Hong Kong-based Shangri-La Hotels and Resorts currently manages 41 hotels in Australia, mainland China, Fiji, Hong Kong, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Taiwan, Thailand and the United Arab Emirates, with a rooms inventory of over 21,000. It has over 20 projects under development in Australia, Dubai, India, mainland China, Malaysia, Maldives, Oman, Qatar and Thailand.

The Bund View from Pudong Shangri-La, Shanghai.

New Hotels in Chiang Mai and Chengdu

Strengthening its position in Asia, the region's leading deluxe hotel group, Shangri-La Hotels and Resorts, announces two new deluxe hotel developments in Thailand and China. The 250-room Shangri-La Hotel, Chiang Mai, will be the group's second hotel in Thailand and is scheduled to open mid-2006.

The 580-room Shangri-La Hotel, Chengdu in the capital of China's Sichuan province will open in November 2006 and add to the group's growing presence on the Chinese mainland, where it operates 16 hotels and has many others under development.

The Shangri-La Hotel, Chiang Mai will position itself as a deluxe city resort with large rooms and complement the newly renovated and award-winning Shangri-La Hotel, Bangkok. Surrounded by lush gardens, the Shangri-La Hotel, Chiang Mai is designed by Hong Kong-based Wong & Tung International Co. The new hotel is located in the prime area of Chang Klan Road, close to the famous night market.

The Shangri-La Hotel, Chengdu will be Shangri-La's first hotel in the Sichuan province. Overlooking the Fuhe and Nanhe rivers, most of the hotel's contemporary yet classically styled 580 rooms and 30 service apartments will have dramatic views of the rivers from their floor to ceiling windows and a minimum floor size of 42 square metres.

Press Contact:
Julia Record, Director of Corporate Public Relations
Shangri-La Hotels and Resorts
Tel: (852) 2599 3323, Fax: (852) 2599 3374
E-mail: jrecord@shangri-la.com

A Chinese Dream Comes to Europe

After performances in the most prestigious theatres in the Asian countries and the United States, the spectacular Chinese production "My Dream" is planned to tour through Europe from October to December 2004. A Swiss event marketing and promotion company will produce the show exclusively in Europe. Partner to sponsor and support the "My Dream" tour are wanted. Attractive possibilities, business and social wise, in one of the most unusual cultural projects can be offered.

The choreography is based on western standards and the costumes are not to be topped! Previous performances have proven that this successful show is a box office hit, a standing ovation is guaranteed and media coverage will be paramount. The artists are so talented and their performances so perfectly executed that a moderator is necessary for the audience to believe that this spectacular show features fifty-five disabled Chinese artists. The artists' message is strong and will touch the hearts of people all over Europe.

"My Dream" conveys contagious enthusiasm. The level of performance by the artists is inspirational, because so few "not disabled" performers have reached this degree of perfection and skill. The artists' message is strong. "My Dream" plants a seed of hope and confidence for each member of its audience and handicapped people everywhere.

To its credibility, the show has been created and produced over the last sixteen years by the China Disabled People's Performing Art Troupe. This organization is under the guidance of China's States Counsel Coordination Committee on Disability which is affiliated to China's Disabled People's Federation headed by its president Deng Pufang, the son of the former leader Deng Xiaoping.

"My Dream" has been performed in Asia and in the United States with great success and its artists have been honoured by royalties, presidents, high-ranking politicians as well as celebrities.

The European Tour

"My Dream" will be touring in about eleven European countries in 2004. The tour starts at the Olympic Games in Greece. At the Olympics, "My Dream" will represent an official part of the Paralympics' cultural program. A sequence of the show will be featured in the closing ceremony on September 27, 2004.

The scheduled tour will lead the performance through the major cities of Turkey, Austria, France, Belgium, Holland, Sweden, Norway, Finland, Portugal, Spain and Switzerland.

In Switzerland, "My Dream" will perform in:
- Lausanne (Théâtre de Beaulieu, November 11, 2004),
- Geneva (Grand Casino, November 13, 2004),
- Lucerne (KKL, November 17, 2004) and in
- Zurich (Maag Eventhallen from November 19–21, 2004).

Brothers&Sisters

Brothers&Sisters GmbH is a Zurich-based event marketing and promotion company which has been exclusively mandated by the China Disabled Person's Federation to promote and market "My Dream" in Europe.

In addition, Brothers&Sisters holds the exclusive rights to the Charlie Chaplin movies with live orchestral screening which have been produced in prestigious venues all over the world. In Switzerland Brothers&Sisters promotes "Kinderkonzerte" the largest event of its kind for live music for children as well as producing concerts and musical for the medium-sized segment.

Partners needed to help make this dream come true!

Producing the European tour of "My Dream", as well as the co-production with Art on Ice presents logistical and financial difficulties. Strong partners are needed to maintain the high standard which has been achieved so far. The success of the show, due to its level of performance and strong emotional message, offers a great platform for anyone interested in visibility within the European and Chinese markets as well as some great business opportunities.

For our concrete proposal please contact:

Brothers&Sisters GmbH
Postfach, Mühlebachstrasse 82
CH-8034 Zürich, Switzerland
Contact: Michael Furler
Phone: (+41) 1 380 57 58
or (+41) 79 458 79 42


My 梦 Dream

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

GALLERY JJ – "East Meets West"
Bahnhofstrasse 28
CH-6300 Zug
✆ 041-720 21 21, Fax 041-720 21 22
E-Mail: galleryjj@hotmail.com

TRAVEL/DELEGATIONS

Alpine Sightseeing GmbH
Natel 076-384 72 17
Franklinstrasse 5
CH-8050-Zürich
✆ 01-311 72 17, Fax 01-311 72 54
E-mail: Alpiness@freesurf.ch

CULTURE AIR TRAVEL S. A.
8C Avenue de Champel
Case postale 434
CH-1211 Genève 12
✆ 022-839 81 81, Fax 022-839 81 80
E-Mail: info@catvoyages.com
Website: www.catvoyages.com

FIRST TRAVEL ENTERPRISE
Bubenstrasse 7
CH-8304 Wallisellen
✆ 01-322 66 88, Fax 01-322 66 90
E-Mail: victor@FTE.ch
Website: www.FTE.ch

HOTELS

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

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