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Proud of Our Swiss Roots

One and a half centuries ago, three pioneering Swiss ventured to Asia and built flourishing trading houses.



Wilhelm Heinrich Diethelm
1887 established in Singapore



Edward Anton Keller
1887 established in the Philippines



Hermann Siber-Hegner
1865 established in Japan

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Inflation Looming in China

EDITORIAL

There is a growing debate in China whether the country faces a serious threat from inflation. According to the National Bureau of Statistics, China's economy grew by 9.7% in the first quarter of 2004 compared with 2003. The consumer price index rose 2.8%, compared with 0.5% in 2003. The food price index increased 7.1%.

Industrial production rose 19.4% in March from a year earlier. Investments in fixed assets increased 43% and exports also gained 43%. Imports surged 42%. Bank lending expanded by 21% in the year to March.

The National Bureau of Statistics declared the scale of investments in fixed assets was too large and growth was too fast. The International Monetary Fund said: "There are signs of overheating". Raw material prices, transport and other costs for businesses are rising.

China's central bank governor gave a grim assessment of the risks: "Investment demand is expanding too fast, money and credit growing too quickly, and inflation pressures rising." Besides increasing bank's reserve requirements, the central bank and the government have instructed banks to curb new lending to industrial sectors such as steel, cars, cement, aluminium and property. In late March, the People's Bank also raised the interest rate it charges banks.

The central bank has also tried to absorb extra liquidity by selling bonds, which is getting difficult because investors are looking for higher interest rates. These in turn would attract yet more foreign capital inflows in the expectation of an inevitable appreciation of the yuan.

Chinese farmers' income rose an annualized 9.2% in the first quarter of the year. Over the same period the per capita income of urban residents rose 9.8%.

The vigorous debate is going on within the government and among economists. The memory of the heady days of the first half of the 1990s is still strong, and China's leaders are vigilant to indicators that suggest major headaches on the horizon for the economy.

Paul Wyss
Vice President

General Assembly



Dear Members, dear Readers

Over sixty members and guests attended the Annual General Meeting on May 25th in Zurich. The Chamber was privileged to welcome as guest of honour and speaker of the day the new Ambassador of the People's Republic of China in Switzerland, H.E. Zhu Bangzao (see also page 8 in this issue). From the State Secretariat of Economic Affairs (seco), the Chamber welcomed Ms Anne-Pascale Krauer Müller, Head of Division bilateral economic relations, Asia and Oceania, who reported on the activities in China during 2003.

Chamber President, Dr. Jörg Wolle, led through the General Assembly, which unanimously approved the activity report, the accounts and this year's budget.

After six years of profit in a row, the Chamber had to present a deficit as announced at last year's General Assembly. The consolidated accounts overall reflect the difficult past year without a major project creating income, but with a challenging economic climate, the uncertainty and slow-down caused by SARS and the forced move of the office in Zurich. The consolidated statement of income and expenditure closed with a net loss of CHF 8'878 which is regrettable, however, much better than budgeted (almost 40% smaller loss than anticipated).

Regarding the development of memberships in Switzerland, the number of new members has almost doubled compared to last year, reflecting an overall increase of 20%. This development is partially also the sign of the overall recognition of China as a rapidly growing and important, yet difficult market. Compared to the majority of other bilateral Chambers who suffer from a continuous membership-decline, the membership-development of our Chamber reflects the potential and challenge of China as a growing economic power.

On the other hand, resources of the Chamber have been cut down to a minimum many years ago (head-count in

Zurich 1.8, Geneva 0.4), whereas fixed costs went up with market prices. The strong membership, enhanced visibility of the Chamber and dynamic development of China have also led to an increase of general (public) services which rarely generate income or new members. Yet, they absorb about 20% of the time resources and have to be provided in view of the inherent service character of the Chamber and the potential generated for investment opportunities for Swiss and Chinese companies.

In this issue you also find detailed reports from the Geneva Chapter and the Legal Chapter in Zurich.

Changes in the Board were approved as follows:

Dr. Manfred Zobl, Member of the Executive Committee and Past President as well as Alfred Gremli, Managing Director, Credit Suisse Group have resigned.

Newly elected to the Board has been Peter R. Schmid, Managing Director Senior Advisor at the Corporate Center of Credit Suisse Group, Zurich.

The Chamber gives a warm welcome to Mr. Schmid and would also like to thank those who have contributed to the development of the Chamber, be this through their support in the Board, in the activities of the Chamber and/or through their Membership.

Susan Horvath

Managing Director, Member of the Executive Board

Visitor Guide VIEW SWITZERLAND in Chinese

Published annually, the first time in 1998, the new and updated edition has been out for distribution since mid April 2004. The publication is free and targeted at Chinese travelling to, or interested in Switzerland. Switzerland Tourism and leading Tour Operators are distributing the publication. It has achieved high popularity amongst the tourist trade in China and is considered as the most upmarket guide of its kind.

The publication comes in glossy paper, colour throughout and in a handy A-5 format. It contains informative material about Switzerland and highlights the major cities, tourist regions and places of interest. Also included are features on general travel information and major events.

The guide is a valuable handout for Chinese visiting Swiss companies. Members of the Swiss-Chinese Chamber of Commerce are entitled to a limited number of free copies.

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Summer Vacation

The offices of the Chamber in Zurich will be closed from July 12th until August 6th 2004.

New Members

Since January 2004:

Zurich

Ivo B. Scala	Luzern
Delimpex AG	Pfäffikon/SZ
Uster Technologies AG	Uster
FR. SAUTER A.G.	Basel
Rigi Bahnen	Vitznau
Oertli Induflame AG	Schwerzenbach
Chinese Union in Zurich (CUZ)	Zurich
Otto Steuri	Unterägeri
ALPHASEM AG	Berg
Hämmerli & Co.	Thalwil
Jansen AG	Oberriet
Symphony Consult	Bern
Swiss Engineering STV	Zurich
Atkinson Stuart Management AG	Zug
Crowe + Co. AG	Zurich
Robby Hausegger	Hausen a/A
Consulvia AG	Bern
Arendt & Moos GmbH	Flüelen
IBI Bank AG	Zurich
Natalie Matthäus	Zurich
Expomobilia AG	Effretikon
Roland Berger AG	Zurich

Tao SUN	Zurich
Walo Bertschinger AG	Zurich
Euras Media Europe GmbH	Zurich
Schoeller Textil AG	Sevelen
Thales Broadcast & Multimedia	Turgi
TORMAX Automatic Door Systems	Bülach
Proftech International GmbH	St. Gallen
AirLoc Schrepfer AG	Küsnacht/ZH
L. Kellenberger & Co. AG	St. Gallen

Lugano

Veco Trust SA	Lugano
Silvio Tarchini	Manno

Geneva

M. et Mme Jean-Louis Galeazzi	Nyon
Caran d'Ache SA	Thônex
KA-VAN Management SA	Genève
Fert Tours International	Genève
Yendi SA	Bulle
Hôtel Intercontinental	Genève
Gemsa AG	Chavornay
Laurastar (Suisse) SA	Châtel-St-Denis

New Chinese Ambassador



*H. E. ZHU Bangzao
Ambassador of the People's Republic of China to Switzerland*

Zhu Bangzao, born in Jiangsu Province of China, in August 1952, married.

1971–1973	Teacher at Nanjing Foreign Language School
1973–1977	Studying at Beijing Foreign Language Institute
1977–1979	Studying at Geneva University
1979–1985	Staff, Third Secretary, Deputy Director of the Department of Translation of the Ministry of Foreign Affairs (MFA)
1985–1986	Studying at the National Administration School, France
1986–1988	Deputy Director, First Secretary of the Department of Translation of the Ministry of Foreign Affairs
1988–1992	First Secretary of the Chinese Embassy in Paris
1992–1996	Director, Counselor of the Department of West European Affairs of the Ministry of Foreign Affairs
1996–1997	Counselor, Minister-Counselor of the Chinese Embassy in Belgium
1997–1998	Counselor, Deputy Director-General of the Department of Information of the Ministry of Foreign Affairs
1998–2001	Director-General of the Department of Information of the Ministry of Foreign Affairs
2001–2003	Ambassador to Tunisia and Palestine
2004–	Ambassador to Switzerland

Rede des Chinesischen Botschafters, Herrn Zhu Bangzao

For the sake of clarity, the speech of His Excellency, Ambassador Zhu Bangzao, held at this year's General Assembly of the Swiss-Chinese Chamber of Commerce, May 24th in Zurich, is presented in German.

Es ist mir eine grosse Freude, an der diesjährigen Generalversammlung der Swiss-Chinese Chamber of Commerce teilnehmen und die anwesenden Freunde aus der Schweiz kennen lernen zu können. Sie sind die Protagonisten in den freundschaftlichen Beziehungen, insbesondere in den Handels- und Wirtschaftsbeziehungen zwischen China und der Schweiz. Gleichzeitig möchte ich im Namen der Chinesischen Botschaft der Swiss-Chinese Chamber of Commerce meinen herzlichen Dank

für ihre unermüdlichen Bemühungen zur Förderung der Freundschaft zwischen den beiden Ländern aussprechen.

Wirtschaftsbeziehungen Schweiz-China

Die Wirtschafts- und Handelsbeziehungen zwischen China und der Schweiz erfuhren in den letzten Jahren eine rapide Entwicklung. China ist für die Schweiz nach Japan der zweitgrösste Handelspartner in Asien. Chinesischen Statistiken zufolge betrug das Handelsvolumen zwischen China und der Schweiz US\$ 3,5 Mia. im Jahre 2003. Darunter entfielen US\$ 800 Mio. auf den chinesischen Export und US\$ 2,7 Mia. auf den Import. Viele

schweizerische Unternehmen haben in China Fuss gefasst. Bis Ende 2003 hat die chinesische Regierung insgesamt 613 Projekte von Unternehmen mit Kapitalbeteiligung der schweizerischen Firmen genehmigt. Das verwirklichte Investitionsvolumen betrug US\$ 1,9 Mia. Pharmaindustrie, Chemie, Maschinenbau, Elektronische Industrie, Nahrungsmittel und Dienstleistung sind Favoriten bei den Investitionsbranchen und die meisten schweizerischen Unternehmen sind im Küstengebiet angesiedelt.

Die Öffnungspolitik trägt erste Früchte

Seit der Reform und Öffnungspolitik 1978 erfreut sich Chinas Wirtschaft einer dynamischen Entwicklung. Das sozialistische Marktwirtschaftssystem hat erste Gestalt angenommen und ein allseitiges Öffnungsgefüge ist zustande gekommen. Die jährliche durchschnittliche Wachstumsrate betrug 9,4%. Die Lebensqualität und Kaufkraft der Bevölkerung haben sich erheblich erhöht. Immobilien, Auto, Elektronik, Reise und Kommunikation sind Highlights des Konsums. China ist der viertgrösste Autoproduzent und drittgrösste Autokonsument der Welt. Der chinesische Import ist jährlich um 15% gestiegen. Damit ist China der drittgrösste Importeur der Welt. Von 2001 bis 2003 hat China Waren im Wert von US\$ 1 Billion eingeführt. 2003 haben die chinesischen Touristen 20 Mio. Mal die Grenzen überschritten. Nach Schätzung der World Tourism Organisation wird China eines der grössten Herkunftsländer der Welt sein.

Der chinesische Markt ist ein offener Markt. Seit dem Beitritt zur WTO verfolgt China strikt und allseitig seine Verpflichtungen. Der Gesamtzolltarif ist von 15,3% im Jahre 2001 auf 10,4% gesunken. Die meisten nicht-tarifären Handelshemmnisse wurden aufgehoben. Die eröffneten Gebiete werden ständig erweitert. Massnahmen zu Gunsten der ausländischen Investoren wurden ergriffen, um ein gerechtes und absehbare Umfeld zu schaffen. Der Schutz des geistigen Eigentums wird verstärkt. China ist inzwischen einer der attraktivsten Investitionsstandorte der Welt. 400 von den 500 grössten transnationalen Unternehmen in der Welt sind bereits in China angesiedelt. Von 1978 bis März dieses Jahres betrug das verwirklichte ausländische Investitionsvolumen US\$ 515,5 Mia. Wir ermutigen und unterstützen auch chinesische Investitionen im Ausland. Bis Ende 2003 haben die chinesischen Unternehmen US\$ 1,1 Mia. in mehr als 160 Ländern investiert.

Chinas Ziele und Herausforderungen

Obwohl China beträchtliche Erfolge erzielt hat, bleibt es immer noch ein Entwicklungsland aufgrund der riesigen Bevölkerung und schwachen Ausgangsbasis. Um die Modernisierung zu verwirklichen und eine Wohlstandsgesellschaft aufzubauen, müssen weitere Anstrengungen unternommen werden. Wir haben das Ziel festgesetzt, in den ersten 20 Jahren dieses Jahrhunderts eine Gesellschaft mit bescheidenem Wohlstand zu gründen und bis 2020 das Bruttoinlandsprodukt zu vervierfachen. Das entspricht US\$ 4 Billionen. Um das Ziel zu erreichen, benötigen wir eine

allseitige ausgewogene und nachhaltige Entwicklung. Die Grösse Chinas hat eine ungleichmässige Entwicklung in den verschiedenen Regionen zur Folge. Darum hat China die «Going-West-Strategy» und Belegung der alten Industriebasen in Nordostchina lanciert. Gleichzeitig legen wir viel Wert auf eine harmonische Entwicklung zwischen Wirtschaft und Gesellschaft, Mensch und Natur sowie Schutz der Umwelt.

Chancen für Schweizer Unternehmen

Werfen wir einen Blick in die Zukunft, ist die Kooperation zwischen China und der Schweiz aussichtsreich. China ist das grösste Entwicklungsland und verfügt über zahlreiche Arbeitskräfte und einen grossen Markt. Die Schweiz ist ein entwickeltes Land und federführend in Wirtschaft und Technologie. Die beiden Volkswirtschaften können sich gegenseitig gut ergänzen. Die Investitionen von schweizerischen Grossunternehmen haben bereits ein gewisses Ausmass erreicht. China ist für sie ein wichtiger Markt. Heute sind Schindler, Nestlé, Roche und George Fischer bekannte Namen in China. China ist ein wichtiger Absatzmarkt für schweizerische Uhren. 2003 stieg der schweizerische Uhrenexport um 109%. China ist der drittgrösste Markt für schweizerische elektronische Geräte und Maschinen. Im Dienstleistungsbereich hat UBS als eine der ersten ausländischen Banken die Lizenz erworben, um auf dem chinesischen Renminbi-Aktienmarkt als «Qualified Foreign Institutional Investor» zu investieren. Swiss Re hat als erste ausländische Rückversicherungsfirma eine Filiale in Beijing eröffnet. Die Schweiz ist offizielle Destination für chinesische Touristen. Die wachsende Zahl der chinesischen Touristen wird dem schweizerischen Tourismus Chancen bringen.

Die KMU sind das Rückgrat in der schweizerischen Exportwirtschaft. Allerdings stossen sie bei der Erschliessung neuer Märkte häufig auf grössere Schwierigkeiten im Vergleich zu Grossunternehmen. Die Gründe dafür: 1. Sie sind klein und besitzen wenig Geldmittel; 2. Aufgrund der geographischen Distanz und unterschiedlichen kulturellen Hintergründe kennen sie sich mit dem chinesischen Markt und den betreffenden Gesetzen nicht aus; 3. Die Suche nach lokalen Partnern und Mitarbeitern erweist sich als schwierig.

Trotzdem birgt die Kooperation in sich viel Potenzial:

- Das bilaterale Handelsvolumen wächst zwar schnell, macht aber einen kleinen Anteil an dem jeweiligen Gesamthandelsvolumen aus. Der Umfang der schweizerischen Investitionen in China entspricht ihrer wirtschaftlichen Stärke nicht.
- Der Aufschwung von Chinas Wirtschaft bietet neue Märkte. Nur wenn man schnell darauf reagiert, kann man sich auf dem Markt etablieren.
- Und ein ganz wichtiger Punkt: China und die Schweiz pflegen stets gute Beziehungen.

(Fortsetzung nächste Seite)

Um die finanziellen Schwierigkeiten zu bewältigen, haben die China State Development Bank und das Staatssekretariat für Wirtschaft (seco) im Jahr 1998 den «Sino-Swiss Partnership Fund» ins Leben gerufen. Der Fonds zielt auf die Unterstützung der Sino-Swiss Jointventure bei der Erschliessung des chinesischen Marktes ab. Er hat bisher 9 Projekte mitfinanziert. Ausserdem dienen der «Start-up Fond» vom seco und der «Asean-China Investment Fund» den KMU als Risikokapital.

China begrüsst die schweizerischen Investitionen. Die Regierung und Behörden sind hilfsbereit. Dies zeigt sich vor allem in den zahlreichen Investitionskonferenzen von chinesischen Provinzen und Städten in der Schweiz. Ihre Vorstellung über den jeweiligen Investitionsstandort und die von ihnen demonstrierte Leidenschaft haben die schweizerischen Investoren sicherlich beeindruckt.

Ein Musterbeispiel für die Kooperation zwischen den KMU ist das Swiss Center Schanghai, in Zusammenarbeit zwischen der Freiburgischen Industrie-, Dienstleistungs- und Handelskammer und der Schanghai Minhang Wirtschaftszone. Es bietet den neu eintretenden klein- und mittelständischen Unternehmen eine Reihe von Dienstleistungen. Erfolgreiche KMU sind dort zusammen vertreten und bilden damit einen Synergieeffekt. Es hilft ihnen, auf dem chinesischen Markt Fuss zu fassen. Die schweizerischen KMU geniessen mit ihrem Know-how und den ausgezeichneten Dienstleistungen einen guten Ruf in China und können sicherlich davon profitieren.

In der rechtlichen Hinsicht hat die chinesische Regierung den Katalog über die prioritären Branchen für ausländische Investitionen veröffentlicht. Es umfasst Folgendes: Inländer-Behandlung für ausländische Unternehmen; erweiterter Marktzugang, insbesondere im Dienstleistungsbereich wie Banken, Versicherung, Telecom, Transport, Handel, Tourismus, Buchhaltung, Wirtschaftsprüfung und Rechtsberatung. Eine einheitliche standardisierte und transparente Politik für den Zugang der Investitionen wird durchgeführt. Ausser einiger für die Wirtschaft relevanten Branchen und Unternehmen wurden die Beschränkungen für den Anteil der ausländischen Beteiligung an einem Jointventure aufgehoben. Das KMU-Förderungsgesetz ist in Kraft getreten. Der Staat unterstützt die KMU von den Perspektiven Finanzierung, Firmengründung, technologische Innovation, Markterschliessung und soziale Leistung. Nach den Anforderungen der WTO werden das neue Aussenhandelsgesetz, das Gesetz über Urheberrecht, Patentschutz und Markenschutzgesetz eingeführt.

Vorschläge für eine verstärkte Zusammenarbeit

Um die Zusammenarbeit zu verstärken, hätte ich folgende Vorschläge:

1. Schweizerische Unternehmen sollten sich aktiv für den chinesischen Markt einsetzen, sich durch verschiedene Kanäle darüber informieren und den Markt selber erleben. Aller Anfang ist schwer, aber man sagt auch, der Duft der Winterblume kommt von der Kälte her.

2. Die Regierungen, Handelskammern und Institutionen sollten die Zusammenarbeit intensivieren. Die Schweiz verfügt über komplette Wirtschaftsorgane wie die osec, Swiss Business Hubs, SOFI sowie die Swiss-Chinese Chamber of Commerce. Sie organisieren für die schweizerischen Unternehmen Reisen nach China, veranstalten Seminare usw. Die chinesische Regierung und Handelskammer spielen auch eine aktive Rolle. Die Handelsabteilung der Chinesischen Botschaft vermittelt Informationen zwischen Unternehmen beider Länder. Durch rechtzeitigen und regelmässigen Austausch können wir gemeinsam auf die interessierten Fragen eingehen.

3. Intensivierung der Zusammenarbeit im High-Tech-Bereich und in der Forschung & Entwicklung. Die Stärke der schweizerischen Unternehmen liegt im Know-how und der guten Qualität der Produkte. Die chinesischen Unternehmen bemühen sich gerade auch um die Erhöhung der Technologie. Durch Zusammenarbeit kann ein «win-win Deal» verwirklicht werden.

4. Die Kooperationsformen können flexibel sein. In China sind bereits zahlreiche private und Dorf- sowie Gemeindeunternehmen vorhanden. Sie haben erste Erfahrungen gesammelt und gewinnen immer mehr an Bedeutung. Sie sind flexibel und lernbereit. Die Zusammenarbeit mit ihnen ist eine gute Initiative. Ausserdem gibt es in den Städten und Provinzen Wirtschaftszonen, Technoparks und Zollverschlusszonen. Mit günstigen Bedingungen bieten sie eine Plattform für ausländische Investoren.

5. Bei der Auswahl der Investitionsorte sollten sowohl der Osten als auch der Westen und nicht nur die neuen, sondern auch die alten Industriestandorte berücksichtigt werden. China setzt gerade die «Going-West-Strategy» und die Belegung der alten Industriestandorte Nordostchinas tatkräftig fort. Im Aufbau der Infrastruktur, des Umweltschutzes, der Beratung und im High-Tech Bereich sowie in der Entwicklung des Tourismus besteht ein hoher Bedarf. Darüber hinaus bieten die Regierungen im Westen den Investoren eine Art von Supra-Inländerbehandlung, d.h. günstigere Bedingungen als in den Küstengebieten. Nordostchina besitzt relativ komplette Industriegrundlagen und verfügt bis heute noch über industrielle Forschungs- und Personalvorteile. Die Universitäten und Hochschulen konzentrieren sich dort. Die Ressourcen auszunutzen, wird zum Erfolg in China beitragen.

Ich bin überzeugt, dass wir durch gemeinsame Anstrengungen bestimmt eine brillante Zukunft gewinnen können. Nochmals herzlichen Dank für die Gelegenheit, welche mir die Swiss-Chinese Chamber of Commerce geboten hat, und ich wünsche Ihnen viel Erfolg.

Vielen Dank.

Swiss-Chinese Trade 2003 (Quarter 1-4)

(in Mio. CHF)

Comparison to the same period last year / Share: Share of goods in trade with country

Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	2,369,7	15,9	100,0	2,395,9	9,0	100,0
Agricultural products	12,2	4,9	0,5	57,7	-16,5	2,4
Energy carriers	0,2	185,1	0,0	0,6	170,7	0,0
Textiles, apparel, shoes	34,9	35,3	1,5	632,2	0,3	26,4
Paper, paper products, printed matter	13,1	68,7	0,6	10,7	20,3	0,4
Leather, rubber, plastics	32,6	0,0	1,4	134,8	3,4	5,6
Chemicals, pharmaceuticals	367,9	15,9	15,5	260,3	-2,2	10,9
Construction materials, ceramics, glass	10,7	99,4	0,5	25,3	12,5	1,1
Metals and metal products	99,7	21,1	4,2	151,2	42,4	6,3
– Iron and steel	2,9	117,2	0,1	2,2	161,9	0,1
– Non-ferrous metals	13,8	19,9	0,6	8,3	-9,0	0,3
– Articles of metal	83,0	19,4	3,5	140,6	46,3	5,9
Machinery, apparatus, electronics	1,404,6	11,4	59,3	577,0	31,6	24,1
– Industrial machinery	1,096,7	20,2	46,3	63,2	31,0	2,6
– Engines non-electrical	49,6	-12,1	2,1	4,0	–	0,2
– Construction machinery	7,0	39,3	0,3	0,1	–	0,0
– Machinery engineering	1,040,1	22,2	43,9	59,1	22,9	2,5
– Pumps, compressors, fans, etc.	96,9	86,3	4,1	8,8	44,3	0,4
– Process engineering, heating, cooling equip.	46,8	-4,4	2,0	9,4	49,9	0,4
– Lifting and handling equipment	27,7	12,3	1,2	2,8	17,5	0,1
– Machine-tools metalworking	152,6	19,4	6,4	3,7	18,3	0,2
– Machine-tools for mineral materials	19,7	54,1	0,8	0,1	-87,8	0,0
– Plastics-, Rubber machinery	39,6	-34,5	1,7	0,1	348,3	0,0
– Machine-tools for wood, cork, etc.	6,7	-45,2	0,3	1,6	-30,4	0,1
– Other machinery	114,2	15,3	4,8	5,3	50,4	0,2
– Hand held tools	5,1	41,0	0,2	11,2	39,4	0,5
– Welding machines	16,9	-36,3	0,7	0,7	-38,1	0,0
– Printing and paper machinery	100,7	-1,8	4,2	1,8	19,2	0,1
– Textile machines	359,5	45,4	15,2	1,3	-5,3	0,1
– Food processing equipment	29,2	93,7	1,2	6,2	-4,3	0,3
– Filtering and purifying machines	10,2	57,0	0,4	0,9	81,5	0,0
– Packaging and filling machines	14,5	22,7	0,6	5,1	25,5	0,2
– Agricultural machines	10,7	360,9	0,5	0,3	18,3	0,0
– Household appliances	3,6	-25,2	0,2	194,5	12,0	8,1
– Entertainment electronics	2,5	-40,3	0,1	133,2	16,3	5,6
– Household machines	1,0	88,4	0,0	61,3	3,8	2,6
– Office machines, Computers	4,3	-35,8	0,2	150,5	101,3	6,3
– Electrical machinery and electronics	289,0	-13,4	12,2	168,4	19,1	7,0
– Power generation, electric motors	43,5	34,0	1,8	40,3	-4,9	1,7
– Telecommunications	38,9	126,4	1,6	38,7	70,2	1,6
– Electric and electronic articles	206,6	-27,3	8,7	89,4	17,2	3,7
– Defence equipment	0,3	-0,2	0,0	0,1	-21,6	0,0
Vehicles	11,4	-81,8	0,5	21,0	8,4	0,9
– Road-vehicles	3,7	60,2	0,2	19,5	14,6	0,8
– transport of persons	0,2	-31,3	0,0	14,0	17,7	0,6
– transport of goods	0,0	–	0,0	0,0	–	0,0
– Special purpose vehicles	2,0	80,7	0,1	2,1	18,1	0,1
– Spare parts	1,5	58,3	0,1	3,4	1,9	0,1
– Railway vehicles	7,2	733,0	0,3	0,5	-60,4	0,0
– Aircraft and spacecraft	0,6	-99,1	0,0	0,3	-30,3	0,0
– Vessels	0,0	-100,0	0,0	0,7	9,9	0,0
Precision instruments	171,8	34,0	7,3	82,9	14,6	3,5
– Optical instruments, photo	19,9	-3,9	0,8	52,6	8,0	2,2
– Surveying instruments	21,1	255,4	0,9	4,5	17,0	0,2
– Medical instruments and appliances	47,2	39,6	2,0	4,8	49,1	0,2
– Mechanical measuring, testing, control equipment	83,6	23,3	3,5	21,0	27,0	0,9
Watches	197,2	109,3	8,3	190,8	4,0	8,0
Other goods	13,5	-18,1	0,6	251,5	0,4	10,5

Source: swissmem & Eidg. Zollverwaltung

New Head of the Economic and Commercial Section at the Swiss Embassy in Beijing



Edgar Dörig, citizen of Appenzell, was born on 20th July 1964 in Oberbueren, Canton of St. Gallen, where he spent his childhood together with his younger brother and sister. Having obtained the Matura degree at Kantonsschule St. Gallen in 1983 and after spending a year with the Swiss Army he enrolled in autumn 1984 at the University of St. Gallen (HSG) Law Faculty. He also studied one semester at the Law Faculty of Fribourg University and graduated as lic. iur. HSG (Master degree) in 1989. Working as a tour guide for Kuoni Travel in Portugal and collaborating in a legal research programme at St. Gallen University prepared the ground for wider horizons and European Law Studies at the College of Europe in Bruges / Belgium where Edgar Dörig obtained the Diplôme des Hautes Etudes Européennes (D.H.E.E.) in 1991.

An internship with the Legal Service of the European Commission in Brussels followed before he took a job in the newly extended Division for International Affairs at the Federal Office of Justice in Bern. Edgar Dörig worked from 1992 until 1996 as a scientific officer dealing with European law and integration issues. After joining the Federal Department of Foreign Affairs in 1996 he received diplomatic training at the Permanent Mission of Switzerland with the United Nations in Geneva and the Embassy of Switzerland in Bangkok.

From 1998 to 2000 he worked as a deputy head of the Section for Environmental Affairs at the Department's Political Directorate. At the end of 2000 Edgar Dörig was posted at the Swiss Embassy in Brasilia where he was promoted to the position of a Counsellor dealing with political, cultural, environmental and human rights issues. Edgar Dörig, of German mother tongue, speaks English, French and Portuguese and has a good working knowledge of Italian and Spanish. He is married to a Japanese also holding Swiss citizenship and father of a daughter (5 years) and a son (3 years).

Edgar Dörig has officially taken up his position on 27th October 2003. He replaces Jürg Lauber who has been transferred to the Permanent Mission of Switzerland with the United Nations in New York after three and a half years of highest commitment in Beijing at the Embassy of Switzerland and also with the Beijing chapter of the Chamber.

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Bo Xi Lai – New Minister for Commerce

The new Minister for Commerce is Mr. Bo Xi Lai, recently promoted from his previous position as Governor of Liaoning, and prior to that, Mayor of Dalian.

Mr. Bo is charismatic and very pro-Western investment. Like many of China's politicians he has his critics, especially as within the upper leadership he is by far the most marketing savvy of them all – but with the experienced Vice Minister of Commerce, Mr. An Min by his side his more flamboyant side can be tempered. We expect this duo to have a major impact in fast tracking some of China's Foreign Investment Reforms, and to be able to accomplish much while still recognizing the more pragmatic needs of China's developing wealth gap between China's Eastern seaboard and the Central and Western regions, while carrying out MOFCOM's primary role in ensuring that China reaches it's WTO commitments and seeks massive foreign investment for the Olympics projects.

*For further information, please contact:
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Report 2003 from Geneva Chapter



The year 2003 has been another exceptional year for the Geneva Chapter, even considering that any given year in China is like a Pandora's box full of pleasant and other surprises. The Geneva Chapter started to harvest the fruits of its dedicated effort to rejuvenate and invigourate itself: As more new members than ever in its history joined, partly due to China's economy being too important to ignore, partly because of the new strategy delivering tangible benefits to members, the Geneva Chapter in 2003 has attained financial sustainability and sustained dynamism.

After our Annual General Assembly in early May, a big conference dedicated to the topic of "The SARS Crisis: Impact, Experiences Made in China and Switzerland, Lessons Learnt" was held at the beautiful Hotel Beau-Rivage Palace in Lausanne, one of our esteemed members. Close to 100 guests followed the presentations of Dr. med. Daniel Koch, Head of Vaccination at the department of Epidemic and Infectious Diseases of the Swiss Federal Office for Public Health, Minister Alain Guidetti, the Number 2 at the Swiss Embassy in Beijing, Mr Andreas Ermann, President of GSN Property Services Co. Ltd in Shanghai and Prof. Bill Fischer of IMD. The panelists' presentations were followed by very animated discussions between the attendees and the prestigious panel experts. This event was organised by our Chapter in partnership with SinOptic and the Association Genève-Asie.

The Swiss Consul General in Shanghai, Dr. Hans J. Roth, gave us the honours in December at the Hotel Richemond in Geneva to talk about the "Economic Destiny of China". In his very refreshingly different approach to the subject, he fascinated an audience counting more than 80. This event was again organised in partnership with SinOptic and the Association Genève-Asie, and Union Bancaire Privée sponsored the ensuing cocktail.

During the year, our Executive Secretary, Mr Pierre Hagmann, left the Chapter for the Asia Division of the Swiss Ministry of Foreign Affairs. The Board would like

to thank Mr Hagmann for his excellent work performed during two exciting years of change at the Chapter's secretariat in Geneva and wish him all the best for his professional as well as private future. His successor is Mr Rémi Quesnel, who finished his studies in sinology at the University of Geneva and pursues a post-graduate education part time. Mr Quesnel has run the Chapter's secretariat since September 2003 and the Board is most grateful to him for his dedicated support and most pleasant way of cooperation.

Two events originally scheduled for 2003, unfortunately had to be cancelled during the year: Due to SARS, the encounter between "Official Switzerland in China" and the economy of French speaking Switzerland could not be held. And the planned seminar on structured trade finance with China found a great interest among the potential audience, but unfortunately not enough presenters for the panel willing to divulge the trade secrets they use. Both events will be scheduled again at an appropriate time as they are confirmed to respond to the needs of our members.

Nevertheless, last year offered our members the same number of events on China they were invited to join as in any previous years, as the Geneva Chapter is now part of a dense network of like-minded organisations that make each others' members aware of the numerous events constantly being held in this network.

This is entirely in line with our strategy "to organise less events itself, but events that make an impact, and to work in a network to offer our members a high amount of events of interest to them". This new strategy consists of a third pillar: To readjust the portfolio of services offered to members and non-members to the exact needs and the limited resources of the Geneva Chapter. Since this new strategy was developed and then implemented in 2001, the results have been very satisfactory. Since 2001, the number of members has increased 67% and the membership-income 38%. This is very encouraging, but it is equally important that the sources of income have been diversified and thus have increased by about 50% since 2001. This is why the Geneva Chapter in 2003 has finally attained financial sustainability and sustained dynamism. The Board of the Geneva Chapter is most pleased that its efforts have had such a positive effect on the Chapter and thanks all the members for their support.

The Board of the Geneva Chapter, however, is also cautious enough to look ahead rather than rejoice in the cosy situation of the moment. The Geneva Chapter may only comprise 92 paying members but for French speaking Switzerland this is probably close to the potential already. Attracting more members might mean engaging in more intense marketing activities which would go beyond the limited resources available. And with annual turnover of around CHF 50'000 without thick reserves, the Geneva Chapter is still vulnerable to any bad surprises that might occur with a negative impact on trade with and economic activities in China. The Board of the Geneva Chapter therefore has reviewed its strategy and

proposes to embark upon a new strategic track that will lead the Geneva Chapter outside the city walls of Geneva, and deep into the six French speaking cantons of Switzerland to find those new themes of interest and relevance, and to make new friends in the political as well as economic sphere. The Board calls this new strategy "Franchir la Versoix" and presented it on the occasion of the Annual General Assembly, on May, 14, 2004 in Geneva.

For a detailed General Assembly documentation, please turn to the Chapter or the office in Zurich.

*Dr. Daniel V. Christen
President
Swiss-Chinese Chamber of Commerce
Geneva Chapter*

Legal Chapter Highlights 2003



While WTO implementation steps were anticipated to further boost China's economic development, China was unexpectedly hit by the SARS outbreak in 2003. In spring 2003 it became doubtful as whether scheduled China events could in fact be held. Throughout this difficult period the Legal Chapter maintained its regular activities and even managed to host the planned 4. Zurich International Forum on Chinese Business Law after the SARS outbreak had been largely overcome in June 2003. In order to further support Hong Kong and promote its role as a door to China, in 2003 Mainland China and Hong Kong entered into the Closer Economic Partnership Agreement, which starting from January 1, 2004 and compared with China's WTO accession concessions allows foreigners enhanced access for imports and invest-

ments in certain industries to China, if they use a Hong Kong company which meets certain criteria.

As a consequence the Legal Chapter's activities focused on WTO implementation issues, the impact of SARS on the development of China and the entire South-East Asia region as well as on enhanced access for foreign investors into China by taking advantage of the Mainland / Hong Kong Closer Economic Partnership Agreement.

At its first meeting on February 5, 2003, the Legal Chapter welcomed Zhang Liping, Counselor in the Section of Services, Textiles and Accessions of the PRC's Permanent Mission to the WTO, who gave insight information on the development in the financial services sector. At the second meeting on May 7, 2003, anti-dumping issues, which will become increasingly important under China's WTO membership, were discussed in comparison to the United States and the E.U. by Christoph J. Vaucher, Attorney-at-Law, LL.M. Moreover, a member's case study was presented by Marcel Widmer, President Davy Process Technology and possible solutions were suggested by the participants. At its meeting of August 20, 2003, experiences made by the establishment of Traditional Chinese Medicine Projects in Switzerland were presented by Fred Fan, who was responsible for the management of the Chinese-Swiss TCM Klinik in Rheinfelden as well as for the International Academic Exchange Programme and the Medical Cooperation with the International Department of the China-Japan Freundschaftsspital in Beijing. The presentation showed that red tape also exists in Switzerland and that in this area the regulatory environment also provides restrictions on investment from China into Switzerland. At this meeting Wenbin Wei, Attorney-at-Law, and Wu Jun, Attorney-at-Law, also gave an overview of the most recent legal developments with a focus on the restructuring of MOFTEC into MOC and competition law issues. Esther Nägeli concluded the technical part of the meeting by an introduction of the basic framework of the Mainland / Hong Kong Closer Economic Partnership Agreement, its advantages for foreign trade and investment as well as the prerequisites to be met for qualifying under the agreement. On the event of November 19, 2003, Marc Ronca, who originally when acting as the Chamber's President was the promoter of establishing the Swiss-Hong Kong Business Association, presented this new chamber planned to be established in January 2004. The participants provided valuable input regarding the members' expectation of such new organisation and its structure. With more detailed regulations having been published on the Mainland / Hong Kong Closer Economic Partnership Agreement since the last meeting, the Legal Chapter's last meeting in 2003 was concluded by an update on this.

The year's key event was the 4. Zurich International Forum on Chinese Business Law jointly hosted with the Chinese Chamber of Commerce, the LL.M. Programme International Business Law of the University of Zurich and KPMG Legal. The seminar offered an opportunity to those members of the business community interested in doing business with China to meet with leading experts on China trade and investment law. It served as a

(continued on next page)

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forum for updating knowledge and for discussing legal and business issues in relation to China investment. It also aimed at enabling participants to recognize the impact regulatory changes have on their investment vehicles and to structure their investment adequately. The time frame of the luncheon / question / discussion part allowed the participants to address their current problems in an informal way. The presentations included “What’s New for Foreign Investors” and “Foreign Trade and Technology Transfer: China’s WTO Implementation Efforts”, by Prof. Donald J. Lewis, University of Hong Kong, “New Opportunities for M&A in China” by Esther Nägeli, “Law of Antitrust / Competition” by Wenbin Wei, Attorney-at-Law, LL.M., “The Impact of China’s Rise on the Southeast Asia Economies and the Impact of SARS”, by Peter Rhodes, former Prof. and Dean of the Faculty of Law, University of Hong Kong.

The Legal Chapter maintained its general objectives to further the understanding of China’s laws and legal system among lawyers engaged in China related projects for the benefit of the Chamber and its members. On the one side it aimed to provide the chambers’ members with information on the legal developments in China, and on the other side it further established its activities jointly organised with universities in China and in Switzerland, by organising events and seminars. The Chamber’s members are welcome to join into the activities of the Legal Chapter by presenting their cases and problems they may face in their China-related business as well as by participating at the Legal Chapter’s events. In 2003 the Legal Chapter also achieved its goal to include China-related practical cases into its discussions of and events on legal development in China. The Legal Chapter was strongly supported by leading Zurich law firms’ that work on an international basis and also do China related work, by being increasingly represented at the meetings, giving speeches and hosting events at their offices. The venues of the meetings change throughout the year, so that events are hosted at various law firms in Zurich.

Scholarship

The LL.M. International Business Law Programme of the University of Zurich offered a scholarship (waiver of fees) for the LL.M. course 2002/2004 to an attorney-at-law from China, Mr. Wu Jun. In addition, Mr. Wu Jun was offered an extended assignment in 2003 with the law firm of Schellenberg Wittmer in Zurich. Mr. Wu Jun has become an active member of the Legal Chapter.

Provision of Advice to Chamber’s Members

Over the year, members of the Legal Chapter have continued to assist the Chamber’s members in dealing with legal issues encountered in their investment projects in China. The policy to firstly assist members with a general assessment of their situation free of cost was maintained. In this context services of up to one hour are being provided. Often a reference or the establishing of a contact is sufficient to assist the members. Where, however, members require additional consulting services and legal advice, the services provided need to be paid for.

Members

The Legal Chapter has about 20 active members and approximately 50 guests (members of the Chamber), who depending on the topics of the Legal Chapter meeting participate at the meetings. The Legal Chapter's members consist of lawyers engaged with well-known law firms in Switzerland or China, industry counsellors and academics. In 2003 the Legal Chapter has experienced

an increased interest and participation at meetings by practicing lawyers, in-house legal counsels as well as the Chamber's members.

*Dr. Esther Nügeli
Chairperson
Legal Chapter Zurich*

Recent Foreign Investments / Joint Ventures

USA

FEDEX, express delivery group, started talks about creating a hub in Guangzhou. DHL, UPS and FEDEX are jockeying to take advantage of the growing demand for parcel delivery services. The project is very complex, involving landing rights, air rights, customs, telecom issues.

AVIS, global car rental giant, is pushing its expansion in China as Anji Car Rental & Leasing Co – its domestic joint venture – opened a new branch. The Suzhou outlet is regarded as the lead phase of the US-based firm's massive Chinese push. Avis plans to set up 70 outlets nationwide by 2008.

ROCKWELL COLLINS, a major US-based aviation electronics firm, will invest heavily in China. The company, which formed a maintenance and service joint venture last year with China Eastern Airline, will continue to invest in infrastructure.

AIG, world's largest insurer by market value, wants to launch a credit card in China in an attempt to tap the US\$ 1.300 billion savings of its citizens. AIG did not say whether it wants to launch a Renminbi card, which would require a joint venture with a local partner, or a foreign currency one.

AIG is in talks to buy a stake of more than 5% in China Minsheng, the country's only private bank, which is set for a US\$ 1 billion Hong Kong listing. A stake in Minsheng would give AIG access to the local lender's branches in 16 Chinese cities.

BESTBUY, specialty retailer, is likely to buy US\$ 1.2 billion worth of household electrical appliances and computers from China this year. The company currently buys US\$ 18 billion worth of home electric appliances globally.

TELING MANUFACTURING (Trane), one of the three major branches of American Standard Companies Inc, launched its R&D centre in Shanghai and is to set up its Asia-Pacific headquarters in that city. With an in-

vestment of US\$ 1.5 million the R&D centre will employ 100 people by the end of 2004.

HONEYWELL will put a massive US\$ 30 million into Shanghai's Pudong district to set up the company's largest research and development centre. Honeywell currently employs 22 subsidiaries in China with 4.000 employees, having invested a total US\$ 500 million.

JAPAN

TOYOTA aims to sell more than 150.000 vehicles this year in China, up from 100.000 units in 2003. Sales this year will reach 105.000 vehicles to be produced in China; the rest will be imported. Toyota recently launched the Corolla, its best-selling passenger model which will be produced by a Tianjin joint venture. By 2010 Toyota aims to control 10% of China's auto market.

HONG KONG

HONG KONG MASS-TRANSIT SYSTEM plans to merge with Kowloon Canton Railway Corp., which is entirely owned by the Chinese government. MTR has 400.000 shareholders because the Hong Kong government encouraged private ownership of its stock.

HSBC is planning an aggressive push to win a substantial flow of M&A and initial public offerings in China. The move is part of a global overhaul of HSBC's corporate banking operations aiming to close the gap on Wall Street rivals. HSBC will focus on four sectors: financials, energy, telecommunications and industrials.

FRANCE

CARREFOUR, world's second largest retailer, opened a hypermarket in Northeast China's Urumqi, capital of Xinjiang Uygur Autonomous Region. The new

(continued on next page)

store, Carrefour's 42nd hypermarket in the country, with a total investment of US\$ 20 million, covers a selling space of 6,500 square meters. All fresh goods and about 50% of other products are bought from local suppliers.

ENGLAND

STANDARD CHARTERED BANK is in talks to buy a stake in Bank of Communications, China's fifth-largest lender. It would be the first holding by Chartered in a Chinese bank.

GERMANY

BAUSPARKASSE SCHWAEBISCH HALL and China Construction Bank established Sino-German Bausparkasse, the first specialized joint venture between a Chinese bank and a foreign bank. The Chinese bank will hold 75.1% of the capital of US\$ 18.1 million, while the German bank holds the rest. The venture will mainly engage in housing loans.

HOLLAND

HEINEKEN, world's third largest beer brewer, expects to produce China-made Heineken beer within six months, following the acquisition of a 21% stake in Guangdong Brewery Holdings for US\$ 71.43 million. Currently, Heineken is imported into China. To date, Heineken APB China owns brewery plants in Shanghai and Hainan province which together can produce about 3.5 million hectoliters at full capacity.

Summary by Paul Wyss

In Brief

- China is lifting its ban on foreign investment in television and film production companies, as part of a package of landmark reforms. The prospect of direct involvement will interest overseas media groups, which hope for a greater role in the Chinese market.
- Professionals and executives with foreign enterprises in China saw their salaries rise by nearly 7% on average last year, according to a survey carried out by Associate Consulting Corp. which covered 800 foreign firms in major cities. Only 7% of the firms said salaries did not rise in 2003. The annual per capita income of a senior executive in a foreign enterprise is US\$ 77,000, that of a mid-level executive US\$ 35,780.
- The growing salaries in foreign enterprises also reflect the soaring direct investment in China. By late January 2004, the number of foreign firms in China was 468,200 with total contracted investments of US\$ 953.3 billion and actual investment of US\$ 505.55 bil-

lion. In 2003, more multinational firms and global R&D centers entered China.

- Beijing Capital Group, the capital's leading property developer, has ambitious fund-raising plans to finance several large building projects for the 2008 Olympic Games. The group is planning a reorganization, the sale of equity stakes to overseas strategic investors and a stock market listing overseas in the next three years.
- Most European Union countries will see more and more Chinese tour groups shopping and sightseeing in the next few months. China National Tourism Administration and the EU signed a memorandum of understanding which will facilitate more Chinese group tours to European countries. Procedures to obtain visas from EU members which have been granted "Approved Destination Status" will be facilitated.
- The enlargement of the European Union will offer Chinese companies bigger markets and better investment opportunities. It will create a market with a GDP of US\$ 12.55 trillion and 460 million consumers. Its outside trade of US\$ 915 billion accounts for 20% of global trade.
- The rapid growth of machine tool sales in China is giving Chinese manufacturers a strong platform from which to compete with established western and Japanese suppliers. In 2003 sales of machine tools in China totalled US\$ 6.6 billion, making it easily the biggest market, ahead of Germany.
- China plans to create a consumer society in the countryside by boosting government spending to record levels in its rural economy of 800 million people and increasing six-fold the budget for training farmers to do salaried jobs.
- The Ministry of Education released the latest statistics on foreign students in China: In 2003 some 77,715 foreign students from 175 countries were studying in 353 universities and institutes scattered throughout 31 provinces (excluding Hong Kong, Macao and Taiwan). More than 45%, 35,353, came from South Korea. There were 12,765 Japanese students and 3,693 from the U.S.
- More than 30 million people around the world are studying Chinese. The Ministry of Education predicts that the number will reach 100 million in the next five years. Some 2,300 universities in 85 countries have opened Chinese courses. The Ministry attributes the global interest to learn Chinese to the country's rapid economic growth and its accession to WTO in 2001.
- Beijing alone aims to produce about 400,000 English speakers in time for the 2008 Olympics, China's most important moment on the international stage. But the desire to learn English extends well beyond the games. Parents eager to ensure their sole child the best education have prompted many private kindergartens to look for English-speaking teachers.

- China's booming economy has recently boosted commodities markets as the country has become a voracious consumer of energy and raw materials. In 2003 its oil imports rose nearly one-third. It passed the United States to become the world's biggest steel importer. Electricity consumption jumped by 15%. Yet this is modest compared with future demand which is expected to double by 2020. The government is making plans for at least 20 new nuclear plants by 2020.

Summary by Paul Wyss

China Overtakes Germany in R&D Spending

(According to a recently published report by the Organization for Economic Cooperation and Development (OECD), China rose to third in the world in the amount of money it spent on research and development. China's R&D expenditure reached 60 billion US dollars in 2001, only after the United States (US\$ 282 billion) and Japan (US\$ 104 billion).

About 40 percent of China's expenditure on research and development was covered by the government and the remaining 60 percent came from domestic and foreign enterprises.

In the past two years a remarkable number of multinationals such as Alcatel, General Electric and Infineon have set up research centers in China in order to take advantage of lower costs and China's comparatively cheap and educated labour force.

Update on China's Trading Sector – Western Companies Eager to Jump In

According to its WTO pledges, China will begin granting foreign trade rights to majority-foreign owned companies by this year. For wholly-owned foreign trading companies, the import and export business will be allowed one year later.

Currently, trading rights are only granted to foreign minority joint ventures. But many investors are reluctant to set up joint ventures with Chinese partners, due to differences in long term planning and problems in decision making. To date two possibilities remain for those companies: Working through Chinese middlemen in China is always connected with additional costs and a loss of time. An alternative is the setting up of a 100% owned company in a Free-Trade-Zone, but compared to other locations, Free-Trade-Zones have substantially higher costs.

With the regulations now being due to change, foreign companies are preparing their market entry/expansion in



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China's international trading sector. China is already the world's fifth largest trading nation, and the US\$ 540 billion trade sector has seen an average annual growth rate of 20% during the last four years – no surprise that numerous foreign trading companies are eager to enter the market which is currently in the hand of large domestic state-owned companies.

Within this background, it is expected that foreign companies will increase their investment in China's trading sector, either buying into the market and acquiring domestic companies, or increasing their share in existing Joint Ventures. However, the new regulations haven't been released yet, and one has to wait which requirements will be connected to a license in detail. For instance a high minimum investment or the requirement of

(continued on next page)

an existing China investment could limit the attractiveness of the new regulations for many companies.

Whilst foreign trading companies are waiting eagerly for the publication of the new regulations, domestic trading companies, especially small- and medium-sized ones, are concerned that competition in China's trading sector will get rougher. The situation is quite tense already, as mainland traders have to cope with the recent reductions of export tax rebates. Analysts therefore not only expect M&A deals with foreign involvement but also mergers between Chinese traders, trying to cope with the upcoming challenges.

Thanks to CEPA (Closer Economic Partnership Arrangement), Hong Kong and Macao service companies are enjoying a head start in China's international trading sector: Effective January 1, 2004, the central government has given green light for them to conduct import & export business in China through wholly foreign owned trading companies. Additionally, Hong Kong and Macao service companies enjoy preferable licensing requirements.

Li & Fung, one of Hong Kong's biggest trading companies, was the first to announce that its 100% owned Chinese subsidiary had secured a license to export goods directly from the mainland.

A far reaching structural change of China's trading sector is ahead – it can be expected that the market will be very dynamic over the next few years. Western companies in China should watch out attentively for the fu-

ture development of the market. With opportunities and interesting alternatives ahead, investment and business models which have been the optimum solution until today, might be under pressure in the near future.

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Swiss-Chinese Trade / First Quarter 2004

(in Mio. CHF)

Comparison to the same period last year / Share: Share of goods in trade with country

Goods	Export Mio. CHF	Export ± CHF%	Export Share	Import Mio. CHF	Import ± CHF%	Import Share
Total selected	648,0	25,2	100,0	668,2	12,7	100,0
Agricultural products	6,9	59,5	1,1	14,1	-17,3	2,1
Energy carriers	0,1	164,5	0,0	0,0	-100,0	0,0
Textiles, apparel, shoes	8,5	3,4	1,3	169,0	3,4	25,3
Paper, paper products, printed matter	3,7	155,7	0,6	2,1	-13,0	0,3
Leather, rubber, plastics	9,6	23,3	1,5	32,5	-9,1	4,9
Chemicals, pharmaceuticals	122,6	24,3	18,9	63,1	-1,2	9,4
Construction materials, ceramics, glass	3,7	112,3	0,6	6,5	32,9	1,0
Metals and metal products	30,7	41,1	4,7	42,3	44,9	6,3
– Iron and steel	0,6	-3,4	0,1	1,2	79,3	0,2
– Non-ferrous metals	7,5	208,5	1,2	2,3	11,9	0,3
– Articles of metal	22,6	20,9	3,5	38,9	46,6	5,8
Machinery, apparatus, electronics	342,8	19,2	52,9	181,0	30,9	27,1
– Industrial machinery	268,8	17,2	41,5	24,8	42,9	3,7
– Engines non-electrical	8,3	35,2	1,3	0,1	-98,4	0,0
– Construction machinery	1,3	54,4	0,2	0,0	50,0	0,0
– Machinery engineering	259,2	16,6	40,0	24,7	82,5	3,7
– Pumps, compressors, fans, etc.	25,1	142,5	3,9	4,9	78,0	0,7
– Process engineering, heating, cooling equip.	5,9	-46,2	0,9	2,9	84,9	0,4
– Lifting and handling equipment	6,2	-36,1	1,0	0,9	23,9	0,1
– Machine-tools metalworking	30,9	-15,9	4,8	1,0	95,1	0,1
– Machine-tools for mineral materials	2,9	3,5	0,4	0,0	–	0,0
– Plastics-, Rubber machinery	7,5	-13,4	1,2	0,0	41,7	0,0
– Machine-tools for wood, cork, etc.	2,0	-33,8	0,3	0,2	-48,3	0,0
– Other machinery	39,5	87,6	6,1	4,3	247,8	0,6
– Hand held tools	2,5	264,8	0,4	4,6	48,2	0,7
– Welding machines	9,1	115,9	1,4	0,3	61,8	0,0
– Printing and paper machinery	16,3	-51,9	2,5	0,6	9,5	0,1
– Textile machines	106,5	53,3	16,4	0,7	128,1	0,1
– Food processing equipment	1,1	-84,8	0,2	2,5	136,9	0,4
– Filtering and purifying machines	0,7	-50,3	0,1	0,2	28,3	0,0
– Packaging and filling machines	2,9	34,5	0,4	1,8	72,9	0,3
– Agricultural machines	0,8	–	0,1	0,2	148,3	0,0
– Household appliances	1,5	199,6	0,2	54,3	10,4	8,1
– Entertainment electronics	1,1	301,9	0,2	37,3	12,0	5,6
– Household machines	0,4	76,7	0,1	17,1	7,0	2,6
– Office machines, Computers	2,0	199,7	0,3	56,1	73,8	8,4
– Electrical machinery and electronics	69,5	21,5	10,7	45,7	15,9	6,8
– Power generation, electric motors	16,5	106,7	2,5	10,7	-6,2	1,6
– Telecommunications	3,0	140,3	0,5	8,9	13,2	1,3
– Electric and electronic articles	49,9	4,2	7,7	26,1	29,3	3,9
– Defence equipment	0,2	–	0,0	0,0	144,0	0,0
Vehicles	1,2	89,7	0,2	12,2	48,3	1,8
– Road-vehicles	0,6	158,6	0,1	11,1	45,6	1,7
– transport of persons	0,0	-100,0	0,0	8,5	38,6	1,3
– transport of goods	0,0	–	0,0	0,0	–	0,0
– Special purpose vehicles	0,1	–	0,0	0,5	-30,5	0,1
– Spare parts	0,6	209,1	0,1	2,1	176,6	0,3
– Railway vehicles	0,5	115,0	0,1	0,0	-80,6	0,0
– Aircraft and spacecraft	0,0	-81,2	0,0	0,1	214,9	0,0
– Vessels	0,0	–	0,0	1,0	121,4	0,1
Precision instruments	43,9	18,3	6,8	27,3	36,4	4,1
– Optical instruments, photo	5,4	21,5	0,8	19,8	71,2	3,0
– Surveying instruments	4,9	23,6	0,8	0,7	-30,2	0,1
– Medical instruments and appliances	13,8	35,1	2,1	1,8	26,1	0,3
– Mechanical measuring, testing, control equipment	19,8	7,1	3,1	4,9	-17,2	0,7
Watches	71,6	59,9	11,1	49,0	0,4	7,3
Other goods	2,7	-20,8	0,4	68,9	13,3	10,3

Source: swissmem & Eidg. Zollverwaltung

Yangtse Delta Region – Economic Situation

2003 was a turbulent year for China. SARS as well as droughts and floods disturbed the economic development severely, so that the growth rate in the second quarter fell to 6.5%. Nevertheless, China's economy enjoyed a faster growth in the year as a whole. The Yangtse delta region – including in this term the city of Shanghai and the two provinces of Jiangsu and Zhejiang – continues to play a locomotive role in the country's economy, particularly in the fields of investment and foreign trade.

China's GDP reached 11,669.4 billion RMB (1,411.1 billion US\$), an increase of 9.1% in 2003, 1.1% more than in 2002. The GDP per capita topped US\$1,000 in 2003 for the first time in the history.

During the same period of time, the aggregate GDP of the delta region climbed to 2,790.3 billion RMB (337.4 billion US\$), accounting for 23.9% (22.1% in 2001) of China's total GDP, a remarkable result compared to its rather low percentages of population (10.9%) and area (2.2%). Due to the rapid increase of exports and investment in fixed assets, Shanghai, Jiangsu and Zhejiang have all shown their highest growth rates.

Shanghai reported a GDP of 625.08 billion RMB (75.58 billion US\$) in 2003, an increase of 11.8% (10.9% for 2002) over the previous year. This was the highest growth rate since 1998 and the twelfth consecutive double digit growth rate. Jiangsu Province, the second largest provincial economy in China after Guangdong province, recorded a GDP of 1245.18 billion RMB (150.57 billion US\$), up 13.5%, 4.4% higher than the national average. The GDP of Zhejiang province reached 920 billion RMB (111.25 billion US\$), up 14% (12.3% for 2002). Measured by per capita GDP (19,730 RMB or 2,385 US\$ in 2003), Zhejiang is the richest province in China.

Private Consumption: Stagnant due to SARS

Severely influenced by SARS, the country's private consumption was stagnant, reflected in the situation of the retail sales in the first half of 2003. China's total retail sales growth went down to 8% in the first half of 2003 from 8.8% in 2002 and from 10.1% in 2001. In the same period, the retail sales growth rate in Shanghai went down to 8.8% after having reached 9.3% in 2002; in Jiangsu it was just up to 12.7% (compared with 12.1% for the whole of 2002) and in Zhejiang it went down rapidly from 12.6% for 2002 to 8.6% in 2003.

While SARS showed its strongest effect in the service sector, many kinds of key consumer articles, however, like personal computers, mobile phones, and even cars and houses, still sold well due to an upgrading of the consumption structure in accordance with a steady and fast increase of personal disposable incomes in recent years. Sales of sedan cars in China surged 75.3% in 2003 compared to 2002 and reached 1.97 million units.

In 2003 as a whole, however, China's retail sales totalled 4,584.2 billion RMB, up 9.1% (compared with 8.8% in 2002) from the previous year; in Shanghai retail

sales reached 222.06 billion RMB, up 9.1% (up 9.3% in 2002); in Jiangsu the sales recorded 356.65 billion RMB, up 13.7% (up 12.1% in 2002) and in Zhejiang they were 315.7 billion RMB, up 10.9% (up 12.6% in 2002).

Investment in Fixed Assets: One of the Main Engines of Growth

Since 1998 Chinese economic growth has been strongly driven by a pro-active fiscal policy, featuring heavily on increased investments in fixed assets, especially in the field of infrastructure. This situation continued in 2002 and in 2003 in particular, since all of local legislative and government organs were re-elected earlier this year and many officials tended to show their ambition in their economic plans further.

Reaching 5,511.8 billion RMB (about 666.5 billion US\$), enacted investments in fixed assets for the whole of China grew at an extraordinary rate of 26.7% in 2003 over the same period of the previous year, recording the fastest growth since 1994.

In the delta region, investments in fixed assets accelerated in 2003 as well: in Shanghai, they reached 245.21 billion RMB (corresponding to 29.65 billion US\$), a rise of 12.1% (up 8.2% in 2002); in Jiangsu they totalled 533.58 billion RMB (64.52 billion US\$), a rise of 38.6% (up 16.5% in 2002) and they recorded 494.70 billion RMB (59.82 billion US\$) in Zhejiang, an increase of 38.1% over the previous year (up 24.9% in 2002).

Foreign Investment: Massive Influx Continued

China has become one of the most preferred destinations for foreign direct investments in recent years. Contracted foreign direct investment (FDI) in China increased 39% to 115.07 billion US\$ in 2003 over the same period of 2002, while actually utilized FDI stagnated at 53.51 billion US\$, up only 1.4% reflecting the negative impact of SARS to China's economy and the stronger international competition for attracting FDI.

Multinationals are moving more and more of their manufacturing bases from Southeast Asia to China. By the end of 2003, there were more than 465,277 foreign invested enterprises in China, with contracted foreign investment of 943.13 billion US\$ and actual foreign investment of 501.47 billion US\$. It is important to realize, however, that more than 60% of the capital under the heading of FDI is still coming from ethnically Chinese sources. For accumulated investment the amount is still higher than 75% of the total sum.

The Yangtse delta region saw an accelerating influx of foreign investment since 2001. The total FDI of the region was about 27.1 billion US\$ in 2003 (18.56 billion US\$ in 2002) in terms of actually utilised value, accounting for 51% (up 35% in 2002 and 30% in 2001) of

(continued on page 24)

Current Economic Indicators*

of the Swiss Consular Area

Year		2002		2003	
		volume	growth rate (%)	volume	growth rate (%)
GDP (billion RMB)	China	10239.79	8.0	11669.40	9.1
	Shanghai	540.88	10.9	625.08	11.8
	Jiangsu	1063.63	11.6	1245.18	13.5
	Zhejiang	767.00	12.3	920.00	14.0
	Anhui	356.90	8.9	397.32	9.2
	Consular Area	2728.41		3187.58	
Total Retail Sales of Consumer Goods (billion RMB)	China	4091.10	8.8	4584.20	9.1
	Shanghai	203.52	9.3	222.06	9.1
	Jiangsu	321.58	12.1	356.65	13.7
	Zhejiang	287.80	12.6	315.70	10.9
	Anhui	122.87	7.5	133.12	9.8
	Consular Area	935.77		1027.53	
Completed Investment in Fixed Assets (billion RMB)	China	4320.20	16.1	5511.80	26.7
	Shanghai	215.84	8.2	245.21	12.1
	Jiangsu	384.92	16.5	533.58	38.6
	Zhejiang	345.80	24.9	494.70	38.1
	Anhui	113.33	17.6	147.76	30.4
	Consular Area	1059.89		1421.25	
Exports (billion USD)	China	325.57	22.3	438.37	34.6
	Shanghai	32.06	16.0	48.48	51.2
	Jiangsu	38.48	33.3	59.14	53.7
	Zhejiang	29.42	27.9	41.60	41.5
	Anhui	2.45	7.5	3.06	24.9
	Consular Area	102.41		152.28	
Imports (billion USD)	China	295.22	21.2	412.84	39.9
	Shanghai	40.61	22.1	63.92	57.4
	Jiangsu	31.82	41.6	54.53	71.3
	Zhejiang	12.54	27.7	19.80	58.0
	Anhui	1.73	29.6	2.88	66.6
	Consular Area	86.70		141.13	
Foreign Direct Investment (during the period)					
Projects	China	34'171	30.7	41'081	20.22
	Shanghai	3'012	22.5	4'321	43.5
	Jiangsu	5'801	62.0	7'301	25.9
	Zhejiang	3'364	45.6	4'442	32.0
	Anhui	338	30.0	431	
	Consular Area			16'495	
Contracted (billion USD)	China	82.8	19.6	115.07	39.03
	Shanghai	10.58	43.4	11.06	23.5
	Jiangsu	19.67	132.8	30.81	56.6
	Zhejiang	6.79	35.4	12.05	77.5
	Anhui			1.02	
	Consular Area			54.94	
Actually Utilised (billion USD)	China	52.743	12.5	53.51	1.44
	Shanghai	5.03	14.5	5.85	30.1
	Jiangsu	10.37	75.4	15.80	52.4
	Zhejiang	3.16	42.9	5.45	72.4
	Anhui	0.38	11.4	0.39	4.1
	Consular Area	18.94		27.49	

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

Source: Chinese Authorities

China's total. Actually utilised FDI in Shanghai was 5.85 billion US\$ (5.03 billion US\$ in 2002), an increase of 30.1 % over the previous year (up 14.5% 2002). In Zhejiang it amounted to 5.45 billion US\$ (3.16 billion US\$ in 2002), an increase of 72.4% (up 43% in 2002), and in Jiangsu it reached 15.80 billion US\$ (10.37 billion US\$ in 2002), an increase of 52.4% (75.4% in 2002). Jiangsu therefore became the most preferred province for FDI, surpassing Guangdong province for the first time in terms of both contracted and actually utilized FDI.

Swiss direct investment is also increasing in China and in the delta region as well. By the end of 2003, there were 613 Swiss-invested projects in China with a total accumulated value of 2,780 million US\$ in terms of contracted investment. Among them, a majority of 64% concentrated in the Yangtze delta region. In Shanghai, Swiss direct investment totalled 1,306 million US\$ in terms of contractual value for 138 projects, while in Jiangsu and Zhejiang it was 405 million US\$ for 86 projects and 26 million US\$ for 7 projects respectively.

Foreign Trade: Another Motor of Growth

Customs statistics show that China's total foreign trade volume increased by 37.1% on a year-to-year base to 851.2 billion US\$ in 2003 (in 2002: 620.8 billion US\$, up 21.8%). Exports rose 34.6% (22.3% in 2002) to 438.37 billion US\$ (325.57 billion USD in 2002); imports grew more rapidly by 39.9% (21.2% in 2002) to 412.84 billion US\$ (295.22 billion USD in 2002); the trade surplus stood at 25.53 billion US\$ (30.35 billion US\$ in 2002). Low prices and reasonable quality gave China's products an edge in the world markets. China has considerably benefited from a weak US dollar as the RMB is virtually pegged to the US currency. On the other hand, China's economic boom, the rising demand by foreign-funded enterprises and by private firms as well as the reduced import tariffs and licences as a result of China's entry to the WTO have spurred imports.

The delta region held a leading position in China's foreign trade. The export value of Shanghai was 48.48 billion US\$ in 2003 (32.06 billion US\$ in 2002), an increase of 51.2% (16% in 2002) compared to the previous year. Jiangsu exported goods in the value of 59.14 billion US\$ (38.48 billion US\$ in 2002), an increase of 53.7% (33.3% in 2002) and Zhejiang's exports grew 41.5% (28% in 2002) to reach an amount of 41.6 billion US\$ (29.42 billion US\$ in 2002). The region's total export value reached 149.22 billion US\$ (100 billion USD in 2002), accounting for about 34% (31% in 2002) of China's total export value.

Imports in the Yangtze delta region increased even faster than exports in 2003. During the year, Shanghai imported goods with a value of 63.92 billion US\$ (40.61 billion US\$ in 2002), an increase of 57.4% (22.1% in 2002) over the previous year. Jiangsu imported 54.53 billion US\$ (31.82 billion US\$ in 2002), an increase of 71.3% (41.6% in 2002) and Zhejiang's imports grew 58.9% (27.7% in 2002) to reach an amount of 19.8 billion US\$ (12.54 billion US\$ in 2002). The region's total import value reached 138.25 billion US\$ (85 billion US\$ in 2002), accounting for 33.5% (29% in 2002) of China's total imports.

The trade balance of Shanghai therefore showed a deficit of 15.44 billion US\$ in 2003 (a deficit of 8.55 billion US\$ in 2002), reflecting the city's increasing demand for foreign goods in the high-tech and higher quality brackets due to internationalisation in the field of consumer goods. This demand itself was mainly due to a fast and steady increase in personal incomes and to a growing import demand for foreign-funded enterprises as well. Jiangsu reduced her trade surplus to 4.61 billion US\$ from 6.66 billion US\$ in 2002 and Zhejiang remained the most aggressive trading province in China with a trade surplus of 21.8 billion US\$, accounting for 85% (56% in 2002) of China's total trade surplus.

Swiss trade relation with the Yangtze-delta region developed also rapidly last year. As Table 2 shows, the delta region imported goods with a total value of 964 million US\$ from Switzerland, an increase of 51% in 2003 over the previous year, and exported a total value of 302 million US\$ to Switzerland, an increase of 40%. Shanghai, Jiangsu and Zhejiang imported 550 million US\$ (an increase of 44%), 253 million US\$ (an increase of 53%) and 143 million US\$ (an increase of 80%) respectively from Switzerland. The export of Shanghai, Jiangsu and Zhejiang to Switzerland were respectively 90 million US\$ (an increase of 33%), 111 million US\$ (an increase of 64%) and 97 million US\$ (an increase of 29%; remark: all these figures do not include the indirect trade via Hong Kong).

The Challenges: Old and New

The economic situation in China will remain dynamic in the near future. According to Chinese Premier Wen Jiabao in his recent report to the Second Session of the 10th National People's Congress, the top legislature, the target growth rate of China's GDP is set by the government at 7% for 2004. The target is set for a "stable and rapid economic growth without drastic fluctuations" and has given ground for discussions in economic circles. The estimation made by the main Chinese research institutes are mostly higher than 8.5 %. Another double-digit increase for the delta region provinces remains very likely for the current year again.

But the challenges are there as well. The Chinese government is facing not only a sluggish world economy and an uncertain global political situation, reducing demand from abroad, but also a deflationary pressure in the home market marked by slower growth of private consumption and by a considerable overproduction in many fields. High unemployment rates and a stagnant rural income growth will very likely continue to challenge government policies. Hidden unemployment in the countryside in particular could not be corrected by twenty-five years of development. Population increase has kept the rural population roughly at the same level as in 1980. Migration into urban areas has thus just helped to increase problems in these growth centres, it did not allow for an alleviation of the rural employment situation.

(continued on page 26)



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Swiss – Yangtze-Delta Region Economic Relations*

	Import from Switzerland		Export to Switzerland		Swiss Investments (accumulated)		
	2002	2003	2002	2003	Contracted by end of 2003	Actually by end of 2003	Projects by end of 2003
Shanghai	381.16	549.50 (+44.17%)	67.36	89.69 (+33.16%)	1'306.35		138
Jiangsu	165.00	253.00 (+53.04%)	68.00	111.00 (+64.25%)	405.00	268.00	86
Zhejiang	79.74	143.44 (+79.89%)	75.02	96.64 (+28.83%)	25.82	7.95	7
Anhui		18.15 (+76.90%)		4.88 (+2.80%)	35.71		5
Delta Region		964.06		302.21	1'772.88		236
China		2,683.34		839.69	2,780.00	1,900.00	613

Note: in million USD

Source: Chinese authorities

Unemployment

The most serious problem remains therefore the high unemployment pressure in urban and in rural areas. According to official statistics, the number of unemployed people registered in the urban areas totalled 8 million by the end of 2003. The unemployment rate in terms of this kind climbed to 4.3% by the end of 2003, up 0.3% over the previous year. But these figures do not include the "laid-off workers" (about 14 million people) and the floating population (estimated at 100 million, concentrated in big cities like Beijing, Shanghai and Shenzhen, mainly composed of jobless rural labourers). The central government has vowed to keep its registered unemployment rate below 4.7% this year and to create more than 9 million new jobs. This is obviously not enough for urban job-seekers, who stand this year at about 25 million, including around 10 million school and college graduates who will have difficulties to find their first job.

Shanghai's registered unemployment rate was 4.9% at the end of 2003, as reported by the Shanghai Labour and Social Security Bureau, with a registered figure of 301,000 persons unemployed (more 13,200 than that by the end of 2002). In Jiangsu it was 4.1% (a drop of 0.1% compared with that by the end of 2002) and in Zhejiang 4.2% at the same level of the previous year. Again, these statistics do not include the "laid-off workers" and the migrant population, totalling about 3.7 million out of the 17 million people in Shanghai.

Growing income gap

A second problem is the growing income gap, not only between urban and rural residents, but also among urban households as well. A survey conducted by a Beijing-based research institute showed that the average per capita income of urban residents was 3.1 times that of rural residents in 2002 (2.8 times in 1995). The real dis-

parity between urban and rural people is even wider if the additional social welfare of urban citizens, such as medical care, unemployment insurance and minimum living relief, to which most rural people cannot access, are taken into account. Urban households' annual disposable income per capita reached 8,472 RMB (1,020.7 US\$) in 2003, a real increase of 9% over the previous year, while the per capita net income of China's rural people was only 2,622 RMB (317.0 US\$) in 2003, an actual increase of 4.3% only.

In 2002, according to the survey, the top 1% of persons with the highest income earned 6.1% of the total income of the society; the top 5% of persons with the highest income had nearly 20% and the top 10% of persons with the highest income earned 32% of the total income of the Chinese society.

The most wealthy people in China include private entrepreneurs and entertainment stars, then comes the group of top managers of State-owned enterprises in the process of economic reform and industrial restructuring, while the underprivileged group consists of jobless and laid-off urbanites as well as poor farmers (about 28 million people), mostly in the backward western areas of China.

Inflation pressures

The third problem are inflationary pressures. Money supply registered a rapid increase once again. By the end of 2003, the broad money supply (M2) was 22,122.3 billion RMB (2,665.34 billion US\$), up 19.6% (2.8% higher) over the same period of previous year; narrow money supply (M1) was 8,411.9 billion RMB (1,013.48 billion US\$) at the same time, up 18.7% (1.9% higher). Cash in circulation (M0) amounted to 1,974.6 billion RMB (237.90 billion US\$), up 14.3% (4.2% higher).

Driven by rapid economic growth, particularly investments, China's consumer price index, the key barometer

for inflation, rose 3.2% on a year-to-year base in December 2003 and January in 2004 – the strongest rise since April 1997. According to a report by the Chinese central bank it will grow by 3% this year, compared to 1.2% in 2003. The ex-factory price of China's industrial products, an indicator of consumer price trends, rose 3.5% in January 2004 on a year-to-year base, compared to the 1.9% growth in November and 1.2% in October. Steel, aluminium and other raw material prices rose about 30% recently.

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The New Swiss Rules of International Arbitration

On 1 January 2004, the new "Swiss Rules of International Arbitration" ("Swiss Rules") entered into force. The Swiss Rules were adopted by the six major Swiss chambers of commerce providing arbitration services (i.e. Basel, Bern, Geneva, Lausanne, Lugano and Zurich) and mark an important step in Swiss international commercial arbitration, as they provide arbitration users with a modern and proven set of rules, which are uniform for all of the six participating chambers.

1. Genesis of the Swiss Rules

The new Swiss Rules are broadly based on the UNCITRAL (United Nations Commission on International Trade Law) Arbitration Rules, a well-tried and widely accepted foundation. Two main types of changes were made to the UNCITRAL Rules. First, it was necessary to adapt the UNCITRAL Rules, which were designed for ad hoc arbitration, to institutional arbitration. Second, the UNCITRAL Rules, which date from 1976, were modernised to reflect current practice in international commercial arbitration. This resulted in certain modifications and in the introduction of entirely new provisions.

The main reason why the UNCITRAL Rules were used as a basis for the new Swiss Rules was that they provide parties to international arbitration proceedings with a familiar and internationally recognized system. Moreover, parties and arbitrators have the possibility of consulting the abundant legal commentary and case law relating to the UNCITRAL Rules.

2. Scope of Application

The Swiss Rules apply where an agreement to arbitrate makes reference to them. With respect to arbitral clauses referring to the former rules of the chambers of com-

merce of Basel, Bern, Geneva, Lausanne, Lugano or Zurich, the new rules apply to all international arbitrations in which the Notice of Arbitration is filed on or after 1 January 2004. Thus, an arbitration clause referring to one of the earlier arbitration rules of the six participating chambers now leads to the application of the Swiss Rules, unless the parties wish to remain governed by the earlier rules.

3. Most Important Features of the new Swiss Rules

The following is a short overview on the most important features of the new Swiss Rules:

- As the Swiss Rules are designed for institutional arbitration, two main institutional bodies, namely the "Arbitration Committee" and the "Special Committee", have been created. These two bodies are entrusted with tasks in connection with the administration, monitoring and support of the arbitration proceedings. However, compared with other major arbitration centres, the role of these institutional bodies is moderate.
- The parties are free to choose the seat of the arbitration anywhere in Switzerland, but the actual proceedings do not necessarily have to be performed at that location.
- Although the parties are free to choose the language of the proceedings, it is recommended to use either English, German, French or Italian in order to avoid additional translations.

(continued on next page)

- The parties are free to agree on the number of arbitrators (sole arbitrator or three-member arbitral tribunal) and to name arbitrators. The nominations of arbitrators are subject to confirmation by the participating chambers, which will verify the appointees' requisite degree of independence and impartiality.
- Once the proceedings are started, the arbitral tribunal is held to prepare a provisional timetable in consultation with the parties.
- A significant innovation of the new Swiss Rules is the possibility to arbitrate under an "Expedited Procedure". This Expedited Procedure applies where agreed by the parties and, in principle, in all cases where the amount in dispute does not exceed CHF 1 million. The advantages of the Expedited Procedure are, for example, shorter time limits, limited numbers of briefs and hearings, a time limit for rendering the award and a summarized reasoning in the award.
- The costs for the arbitration proceedings are governed by a Schedule, which provides maximum and minimum ranges by taking into account the amount in dispute. In addition to the amount in dispute, the complexity of the case, the time spent and other relevant circumstances have to be considered for the determination of the costs. The actual administration of the costs is left to the arbitral tribunal, but the final allocation of the costs is subject to approval by the participating chambers.

4. Quality Control

The Swiss Rules provide a range of instruments to ensure the continuity of the high-quality standards for which Swiss international arbitration is renowned. Thus, the Swiss Rules guarantee a high standard of quality and efficiency, whilst at the same time avoiding cumbersome or intrusive interventions by the arbitral institutions.

5. Conclusion

The new Swiss Rules serve to perpetuate and even to enhance the importance of Switzerland as a centre for international arbitration. The new rules provide parties and arbitration practitioners with a uniform set of institutional arbitration rules that combine the advantages of a proven instrument (the UNCITRAL Rules) with modern, state-of-the-art features. By choosing arbitration under the Swiss Rules, the parties benefit from a neutral venue with a modern arbitration law that provides for effective, predictable and cost-efficient dispute resolution.

The text of the Swiss Rules in English are available on the following website: www.swissarbitration.ch and a detailed newsletter on the new Swiss Rules in English can be downloaded from the homepage of Schellenberg Wittmer, attorneys-at-law: www.swlegal.ch. The Swiss Rules provide their users with the wording of a model arbitration clause, which is highly recommended to be used by parties that wish to arbitrate under the new Swiss Rules.

The text of the Swiss Rules and of the above mentioned newsletter are being translated into Chinese and may be obtained, as soon as available, upon request with:

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Löwenstrasse 19
8032 Zurich
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*Please contact Ms Pascale Gola either by
telephone +41 1 215 52 52
or by e-mail:
pascale.gola@swlegal.ch*

New Packing Rules & Requirements

Important changes for all participants in the international trade regarding international packing rules and requirements (ISPM 15) have become effective for the NAFTA Zone (Canada, USA, Mexico) on 1st January / June 2004.

Various other countries like the European Union, China, South Korea will implement the new regulations during the year 2004. India has already announced implementation from 1st October 2004.

For wooden packing material, various new regulations have to be full filled. Only certified packing companies are in the position to make the packing according to the new standard called ISPM 15. For goods shipped to the above mentioned destinations, which do not comply with the new requirements, delays, fines or even confiscation can be the result.

T-LINK Group is already certified and can offer the packing service for all their clients. All their customers will receive in due time the necessary details to be added on all invoices and packing lists. These details are compulsory and have to be mentioned on the documentation covering the shipments.

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Arbitration in China: Recent Developments

At its meeting of February 6, 2004, held at the Premises of Schellenberg Wittmer Attorneys at Law, the Legal Chapter welcomed Dr. Michael J. Moser* as guest speaker. His topic "Arbitration in China: Recent Developments and Lingering Issues" attracted a wide range of participants from companies' representatives doing business in China as well as lawyers who provide support in China-related matters to their clients. Dr. Moser focused on the issues deriving from the recent amendment made by the China International Economic and Trade Arbitration Commission ("CIETAC") on its arbitration rules (the revisions took effect on October 1, 2000). The following summarizes the most important amendments:

- CIETAC's jurisdiction was widened, most importantly by extending its jurisdiction to include domestic disputes in addition to international and foreign-related arbitration cases in order to improve CIETAC's marketing strength in comparison to both domestic and foreign arbitration institutions. The jurisdiction of domestic arbitration commissions had previously been extended to also include international and foreign-related disputes, for which originally CIETAC had been the exclusive authority. CIETAC's jurisdiction now encompasses the entire range of disputes which local domestic arbitration commissions are authorized to handle.
- Special provisions are now included for domestic arbitration, as different procedures apply to domestic disputes and foreign-related disputes. In this context a separate list of arbitrators who are Chinese nationals and who are entitled to hear domestic arbitration cases has been issued by CIETAC.
- CIETAC has established separate fee schedules for domestic and foreign arbitration as well as financial cases. Statistics issued by CIETAC show an overall reduction of its fees of 16%. However, as the actual fees depend on the amount of the claim, it is worthwhile to compare the fee schedules of different potential arbitration institutions in order to choose the one suitable to the parties.
- Often arbitration clauses also include mediation procedures to be carried out prior to submission of the disputes to arbitration. Based on the previous rules the consequences of an amicable agreement reached by the parties prior to the formation of an arbitral tribunal were unclear. The revised rules now provide for CIETAC's endorsement of such amicable agreement, which can then be enforced pursuant to the New York Convention.
- Critical opinions were raised as whether the expansion of CIETAC's competences to hear domestic disputes is in fact in line with the PRC Arbitration Law, which is said to provide for an arbitration commission in foreign-related matters. CIETAC holds that the PRC Arbitration Law does not define the cases which may be heard by the foreign-related arbitration commissions

and that each arbitration commission has been given the competence to decide its own jurisdiction. Moreover, it holds that domestic and foreign-related cases are no longer defined based on what kind of entities are involved but rather by the nature of the disputed cases.

In his speech Dr. Moser raised the participants' awareness that arbitration clauses need to be drafted with utmost care in China-related matters. As a rule, China does not accept ad hoc arbitration, and, hence, if clauses do not specifically provide for an arbitration tribunal, such arbitration clauses may not be enforceable.

*For more information on CIETAC see
http://www.cietac.org.cn/english/e_index.htm
or contact (see page 3 for details)*

*Dr. Esther Nägeli
Chairperson of Zurich Legal Chapter*

** Michael J. Moser is Partner and China Business Head of the international law firm Freshfields. As a member of the New York and Washington, D.C. Bar, he is a graduate of the Harvard Law School, Columbia University and Georgetown University. He has been advising foreign clients doing business in China since 1980. His practice includes advising on direct investments, technology licensing, mining and natural resources projects, and international arbitration and other forms of dispute settlement. Michael J. Moser has substantial experience as arbitrator and counsel in international arbitration proceedings (member of the panel of arbitrators of CIETAC and various other arbitration institutions). He is also a member of the China Securities Regulatory Commission. He is the author and editor of numerous articles and books on Chinese legal topics and lecturer in the Zurich University's LL.M.-Programme International Business Law.*

Amendments to the Constitution of the P. R. of China

This is the fourth time that National People's Congress, the highest organ of State power of the People's Republic of China, amends the 1982 Constitution. The previous amendments were made respectively in 1988, 1993, and 1999.

A total of 31 amendments have been adopted by this Congress, several being innovative. It is the first time that protection of private property is recognized in the Chinese Constitution of 1949. The revised Article 13 reads: "The legitimate private property of citizens is sacred. The State protects the private property and the right of inheritance in accordance with laws. The State may launch ex-

propriation or requisition against private property of citizens, provided that such actions are conducted in accordance with laws, justified by public interests and followed by compensation.”

It is also the first time that human rights are incorporated in the Constitution. A provision is added to Article 33 as paragraph 3, reads: “The State respects and protects human rights.”

National People's Congress (NPC), Constitutional Amendments adopted on and effective from March 14th 2004.

Source: www.china.org.cn

Investment in Advertisement Enterprises by FIs

This regulation applies to the investment in the advertisement industry by foreign investors, including adding advertisement to the existent scope of business. Moreover, in the event that foreign investors wish to invest in the advertisement industry by way of merger and acquisition, the rules governing M & A by foreign investors shall be applied together with this regulation.

The foreign invested advertisement enterprise may take the form of a joint venture or a wholly foreign invested enterprise. The foreign investor may have a controlling shareholding in the joint venture but not exceeding 70%. However, no wholly foreign invested enterprise is permitted before 10 December 2005 unless the investor is qualified as a Hong Kong Service Provider or a Macao Service Provider whose scope of business includes advertisement.

This regulation does not provide for the requirement of a minimum registered capital. However, the parties to the joint venture shall be enterprises conducting advertisement business, which have been established and have been operating for more than 2 years and have a performance record of advertisement. For wholly foreign invested enterprises, the requirements for the foreign investor are increased to the establishment and operation of minimum 3 years and having advertisement as their major business. The foreign invested advertisement enterprise may not establish branches unless the registered capital has been actually contributed and the annual business income is more than RMB 2 million.

The approving authorities are the State Administration of Industry and Commerce (or its provincial offices) and the Ministry of Commerce (or its provincial bureaus). The applicant shall first seek approval from the State Administration of Industry and Commerce (or its provincial offices) for the project proposal and feasibility study report. Once approved, it shall submit the contracts and articles of association to the Ministry of Commerce (or its provincial bureaus) for approval. Where both stages are successful, the applicant may complete the procedure by registering the enterprise.

Issued by Ministry of Commerce, State Administration of Industry and Commerce, adopted on and effective from March 2nd 2004.

Source: www.law-lib.com

Summary by Wenger Vieli Belser

*Check the China Legal Briefing archives on:
<http://www.wengerlaw.ch/EN/publications/1/index.asp>*

*Obtain your personal subscription from:
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Book of Etiquette in Chinese



*Author: Jie Schneebeli-Chen,
eidg. dipl. Hotelier/Restaurateur*

This new book is an ideal gift for your Chinese business partners and friends and also a helpful pocket book for Chinese travelling in Europe and the other western countries.

The Chinese reader finds many answers to questions of behaviour and etiquette that often come up while enjoying food and drink in the western world. It also gives practical advice on hosting and serving guests at home as well as in a restaurant. It describes how a guest should behave and understand western manners and good conversational rules.

Published in Chinese in April 2004, it is available in all larger bookshops including Xin Hua Bookstore Beijing, China.

*For additional information visit:
www.sinoswisstravel.ch*

www.swissinfo.org

Switzerland's Multilingual Information Platform

Communication among different cultures is more important than ever. And for a country like Switzerland – which has strong political and economic ties with the rest of the world – it is vital that the necessary tools are there to make that communication possible. swissinfo/SRI's Chinese language service offers in-depth information about a wide range of Swiss topics from a Chinese perspective.

The aim of the Chinese service is to help people in Chinese-speaking regions gain a better understanding of Switzerland. The Chinese site differs from the other language sites of www.swissinfo.org in that it focuses more on services. The information we provide about education, for example, includes details about what you need to know to enrol in higher education in Switzerland. The tourism section offers advice on how to prepare a holiday or business trip to Switzerland through maps, travel information, visa formalities and a currency converter. The site is enhanced with selected news about Switzerland with an accent on the Chinese-Swiss relationship.

Serving the Chinese community in Switzerland

swissinfo provides Chinese people interested in Switzerland with a wide variety of information and services. In addition to these well-established services, swissinfo recently launched a special service providing practical information for the growing Chinese community in Switzerland. As well as detailed and up-to-date information about legal procedures (marriage, assurance, banking), there is a calendar of current events in Switzerland, a selection of traditional Swiss recipes, and much more about life in Switzerland at

<http://www.swissinfo.org/scn/swissinfo.html?siteSect=350>

Other services offered by www.swissinfo.org :

Swisslinks

– An extensive database of Swiss websites, offering speedy access information about Switzerland.

Swissgeo

– Interactive, multilayered maps enable you to locate any destination in Switzerland at <http://www.swissgeo.org> with information about museums, hotels and a lot more.

Swisshelpdesk

– <http://swisshelpdesk.org> provides answers to any questions you may have about Switzerland.

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– Stay in touch with your personal mail anytime and any-

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General information about swissinfo/ Swiss Radio International

The multimedia news and information platform of swissinfo/Swiss Radio International provides information in nine languages (Chinese, English, German, French, Italian, Spanish, Portuguese, Arabic and Japanese) in the form of text, images and audio. The topics covered by swissinfo/SRI include politics, social developments, economics, culture, sport, science and tourism. swissinfo/SRI has a mandate to inform Swiss living abroad about news and events in their home country, and to increase people's awareness of Switzerland outside the country.

In addition to its shortwave and satellite radio programmes and television productions, swissinfo/SRI has developed its own news and information platform, which is available in nine languages: www.swissinfo.org.

The company was founded in 1934 and today employs more than 200 people from 24 countries.

swissinfo has its headquarters in Bern and has offices in Geneva and Zurich. It also has office space at the federal parliament in Bern.

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Mt. Rigi – “Queen of the Mountains”

The Vitznau-Rigi Railway (VRB)

Aware of the scenic location of Mt. Rigi, and driven by his pioneering spirit, Swiss engineer Niklaus Riggengbach masterminded the construction of the Vitznau-Rigi Railway in the mid-19th century. In his own words: “I want to take everyone up into the mountains, so they can all enjoy the beauty of our glorious country.” Riggengbach’s invention, which would guide trains across steep climbs by means of cog-wheels and toothed racks, was patented in France in 1863. Jointly with fellow engineers Olivier Zschokke and Adolf Naef, he submitted an application to the canton of Lucerne for permission to build the Vitznau-Rigi Railway. When it became known that a similar railway was already in operation in the United States, the Council of Lucerne granted the concession on 9 June 1869. The initiators’ committee founded a limited liability company and offered 1250 shares, which were already greatly over-subscribed on the first day of issue. The construction of the railway began in mid-September 1869. On Riggengbach’s birthday on 21 May 1870, locomotive No. 1, called the ‘Stadt Luzern’, made its first 300-metre trial run. Finally, on 21 May 1871, the first mountain railway in Europe was officially opened. Riggengbach himself drove the festive train to the heights

of Mt. Rigi, as far as the terminus station Rigi Staffelhöhe (cantonal boundary between Lucerne and Schwyz). The rail installation, buildings and rolling stock cost CHF 1’250 million.

It had been anticipated that 50,000 passengers would use the Vitznau-Rigi Railway annually. But during the first year of operation the figure totalled more than 60,000, and in 1874 the 100,000 mark was passed for the first time. With the opening of the Arth-Rigi Railway in 1875 these figures declined for a few years, but by 1886 they had again increased to 102,021. The highest number was reached in the centenary year of 1971, with 578,070 passengers.

The Arth-Rigi Railway (ARB)

Riggengbach and Zschokke also built the rack-and-pinion Arth-Rigi Railway. In 1870, a committee of 12 citizens from Arth obtained the concession from the Schwyz Cantonal Council for the routes between Staffelhöhe and Kulm as well as between Arth, Oberarth and Kulm. The Arth Company immediately started to tackle the construction of the panoramic route Staffelhöhe-Rigi Kulm. This route was handed to the Vitznau-Rigi Railway com-



pany for operation in the summer of 1873. From 1873 until the merger of the two railways in 1992, the Vitznau-Rigi Railway company had to pay ground rent for use of the rail section Staffelhöhe-Rigi Kulm.

The concession for the construction of the Arth-Rigi Railway was ceded by the original group in early 1873 to the International Company for Mountain Railways in Aarau, founded by Niklaus Riggenbach. This company carried out the railway project as general contractor at a cost of SFr 4.2 million and also supplied five of the six steam locomotives. The construction of the Goldau-Staffel rail track started in the summer of 1873, and in 1874 the Arth-Oberarth-Goldau section was begun after the definitive location of the railway station in Arth had been agreed.

The Arth-Rigi Railway started operation on 4 June 1875 along the entire route. The open passenger carriages were very luxurious, with curtains fitted on both sides to protect passengers from the sun, rain and wind. As early as 1907, the electrified service on the Goldau-Kulm mountain route was inaugurated. This conversion was a true pioneering achievement – the Arth-Rigi Railway was the first standard gauge rack-and-pinion railway in Switzerland to change to electric traction.

The Weggis-Rigi Kaltbad Aerial Cableway (LWRK)

For decades, various community initiatives in Weggis tried to create a link with Rigi Kaltbad. In order to avoid direct open competition with the long-established Vitznau-Rigi Railway, the Swiss government granted an operating licence for an aerial cableway to the existing Rigi Railway Company.

After a construction period of only 11 months, the Weggis-Rigi Kaltbad Aerial Cableway was put into service on 15 July 1968. The company K. Garaventa Sons, Goldau, manufactured the technical installations of the cableway. The large cabins were supplied by the Carrosseriewerke Company of Aarburg.

The cable car operates throughout the year at 30 minute intervals, and crosses a height differential of 924 in less than 10 minutes. A 100-metre path at Rigi Kaltbad connects the mountain station of the cable car with the cog-wheel railway station. On the 25th anniversary of the cable car in 1993, the two red passenger cabins were replaced by new, modern panorama cabins, white in colour and with the new logo of the Rigi Railways Company.

Mt. Rigi today

Because of its unique location and its beautiful landscape, the Rigi enjoys an international reputation as an unforgettable excursion and holiday paradise. In the heart of Switzerland, right in the middle of an imposing mountain world, surrounded by Lake Lucerne, Zug and Lauerz, the 'Queen of the Mountains' rises to a height of 1,800 m.

The sports and holiday region, which covers an area of approximately 90 km², is car-free and, with its well-constructed network of paths, invites you both in summer



and winter to go on walks and mountain excursions. From the various specially marked viewing points, the visitor can enjoy a panoramic view stretching over several kilometres. There are incomparable sunrises to watch, and in autumn particularly, a gigantic sea of mist stretches out. In winter, a rich variety of ski slopes, sleighing tracks, panorama cross country skiing, well-maintained winter walking paths, a natural ice rink or horse-drawn carriage tours are on offer. The Rigi continues to be the perfect destination for excursions to feel the SWISSNESS.

The cog-wheel railways from Goldau and Vitznau operate throughout the year as far as Rigi Kulm. Annual maintenance work lasting five weeks in spring and autumn prepares the Panorama cableway Weggis-Rigi Kaltbad for efficient transport of the Rigi guests. In addition to the normal vehicles, the Rigi Railways have a unique fleet of nostalgic vehicles for special trips: 2 steam locomotives [1923, 1925], 2 saloon carriages 'Belle Epoque' [1873], ARB carriage 6 [1911, the oldest self-propelled, cog-wheel operated carriage in the world], ARB carriage 35 [1899], Original Rigi Pullman

(continued on next page)





SPECIAL OFFER 2004

for the Delegates / Members of
the Swiss-Chinese Chamber of Commerce

Package 1

Mt. Rigi Royal Round Trip including boat trip on Lake Lucerne

Enjoy the breathtaking panoramic view on top of Mt. Rigi!

Duration of the Rigi Royal Round Trip with boat trip: approx. 2.5h

Total: **CHF 58,--**

Package 2

Mt. Rigi Royal Round Trip including lunch at Rigi Kulm Hotel

Enjoy the breathtaking panoramic view on top of Mt. Rigi while your having lunch!

3-course Lunch A: Vegetable Soup, Flakes of Chicken "Mexican Style" with rice, mixed ice cream

3-course Lunch B: Vegetable Soup, Fish fillet with lemon sauce with rice and vegetables, mixed ice cream

Duration of the Rigi Royal Round Trip incl. Lunch: approx. 2.5h

Total: **CHF 62,--**

Package 3

Mt. Rigi Royal Round Trip including 2 overnights on Mt. Rigi

Enjoy the breathtaking panoramic view on top of Mt. Rigi during the sunset!

2 overnights at a hotel of your choice on Mt. Rigi (based on single room, including breakfast and 3-days Mt. Rigi railway ticket)

Total from: **CHF 185,--**

Validity

1st January 2004 to 31st December 2004

Conditions

Rates are net (incl. VAT)

Your contact:

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www.rigi.ch / rigi@rigi.ch

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Composition [carriage 6/carriage 35]. In the new Panorama cable car cabins of the cableway Weggis-Rigi Kaltbad, the first Swiss 'Panorama tours between heaven and earth' are on offer. For 100 minutes of travel time, the guests will be served the menu 'Rigi experience' by a charming hostess, while travelling at a dizzy height.

The Rigi before the railway construction

There is only one Swiss mountain which bears the honorary title 'Queen of the Mountains', the RIGI. It lies like an 'advance citadel on the way to the Gotthard mountain pass', between Lake Lucerne, Lake Zug and Lake Lauerz. Its first mention in public records goes back to 1353. Mt. Rigi experienced its first flowering in the 17th century, when pilgrims made their way to Kaltbad to be cured of their ailments. With the growing popularity of medicinal baths, the hotel and catering business also developed. In 1756, the Lucerne authorities approved the construction of the first inn in Rigi Kaltbad. The building had a pastor's flat, four guest rooms and a lounge. A hundred years later, the new spa rooms were built which, after completion in 1868, had 240 beds, a dining hall, function-, ladies-, writing- and music-rooms. The cost for full board at that time was CHF 11.00.

At the same time, pilgrimages began at Rigi Klösterli, to the 'Maria zum Schnee' chapel built in 1689, and soon, around 15,000 pilgrims made the journey on foot every year to Rigi Klösterli. With the construction of the first inn, 'Maria zum Schnee' [1803], tourism truly arrived in Rigi Klösterli.

Long before the first railway climbed up to the peak of Mt. Rigi, J. M. Bürgi opened the first guesthouse in August 1816 on Rigi Kulm. As early as 1819, 1036 daredevil alpine climbers wrote their names in the guest book of the Kulm guesthouse. In 1875, the Hotel Schreiber, built in the chic palace style, opened. It had sufficient rooms to accommodate between 280 and 300 people.

Visitors to Mt. Rigi who found the ascent too difficult could rent a sedan chair or even a horse. Rigi bearers were stationed in Arth, Küssnacht, Greppen, Weggis and Vitznau.

For further information please contact:

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