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For full overview of useful contacts in China and Switzerland turn to pages 94 & 95 in this issue.

China – No Fast Games with a Giant

In the House of Switzerland during the Olympic Games in Beijing: (f.l.t.r.) John C. Liebeskind, President SwissCham China, Adelbert Bütler, CEO Bucherer AG, Kurt Haerri and Peter Troesch, Vice President SwissCham China.

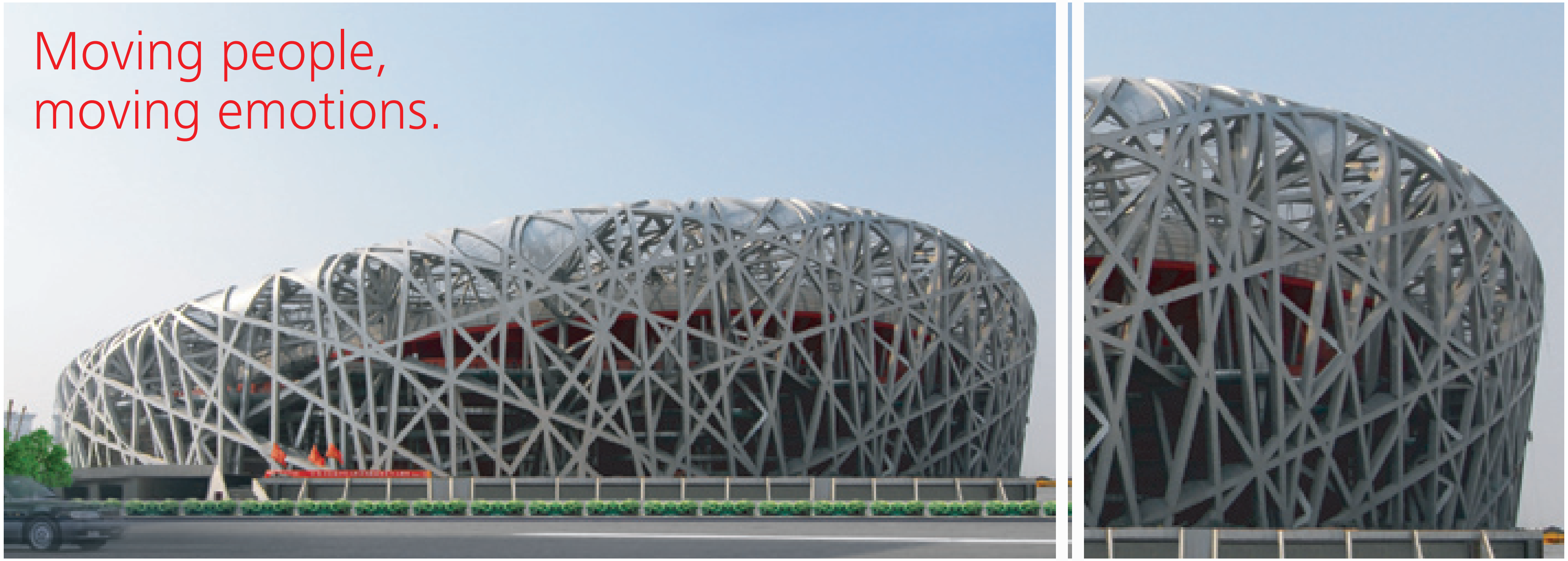
The Olympic Games 2008 held in Beijing are history. The 16-day sport event has brought enormous joy and enthusiasm to the world, and has won glory for both the host city Beijing and the Olympics. With over 10,000 athletes from 204 countries and regions taking part and an audience of 4.5 billion around the world have experienced great Games. The "one world, one dream" had been shared by all. People of different nationalities, ethnic origins and cultural backgrounds have come together under the Olympic flag for sport and friendship between people from all parts of the world. And beyond the Games, it was very important that the world has taken notice of the development and all the positive achievements China made during the last three decades. This has led to an adjusted perception of China in many aspects.

The year 2008, which is drawing to a close, has brought changes to the economic world beyond imaginations. The Olympic Games had just been over; a financial tsunami originating in Wall Street and sweeping the world has forced the United States to abandon "laissez faire" capitalism in favour of government intervention. This is not only remarkable, this questions the conventional role financial markets had been playing in a global market place. The US$700 billion bailout fund for Wall Street and the countless actions implemented by many other governments flies in the face of capitalism and proofs that markets had not been able to regulate itself and that government intervention was mandatory in order to limit the damage in our global market economy. Isn't that something China has been blamed for in the past? I think it is time to learn from China: a strong government, acting fast and responsively by regulating the financial system – the backbone of every free market economy – has been proven as vital during the turmoil of financial markets during 2008. China has acted quickly and decisively. The announced two-year, US$600 billion fiscal stimulus – equal to a stunning one-sixth of China's entire gross domestic product – focuses primarily on the construction of economically critical infrastructure, such as rail and energy networks. In its next stage of development, China's rail system must far better serve the inland areas of China where actually large pockets of rural poverty and high unemployment persist, despite three decades of economic reforms. In fact, while the coastal areas from the Pearl River Delta up to Dalian have prospered, much of inland China remains impoverished. Building better roads, rail-systems and a more reliable and extensive electricity grid and water system is just what China needs in the years to come.

Last but not least, this offers tremendous opportunities also for Swiss companies. It is widely noticed that production in the Pearl River Delta and among the East Coast has become more expensive recently. Actually this delivers the proof concerning the sustainability of the economic development in those regions. Taking the recent development and the policy of the Chinese government into consideration, I strongly recommend Swiss companies to carefully analyze both, the new opportunities in the developed regions as well as the new, very promising prospects to come in the inland areas. I am personally absolutely convinced that this will help to prevent from mistakes many companies have made recently by redirecting manufacturing capacities out of China and to abandon the roots established in Corporate China. Better look twice instead of making wrong decisions in a rush.

Kurt Haerri

President Swiss-Chinese Chamber of Commerce
Member of Steering Board House of Switzerland Beijing 2008
Senior Vice President Schindler Elevator Co. Ltd.



瑞士迅达与奥运满怀同样的热情：我们迎送如织的人流，我们传递火热的激情，我们倾心于最完美的表现。

以此热情，迅达将在2008年北京奥运会上迎送全世界的嘉宾。作为全球领先的电扶梯供应商，让我们感到非常自豪的是，我们的产品将在包括国家体育场"鸟巢"在内的多个奥运场馆设施中为全世界的热情观众提供优质服务。

The Olympic Games and Schindler share the same passion: we move millions of people, we create emotions and we fascinate through high performance.

Therefore Schindler also moves the world during the Olympic games 2008 in Beijing. As an internationally successful supplier of elevator and escalator solutions we are proud to have installed our products in several Olympic sites including the National Stadium in Beijing.

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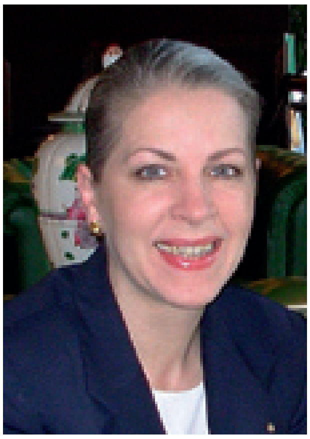
Change is the Keyword



Dear Members, dear Readers,

we heard the keyword throughout the year during the Presidential election in the US and with the election of Barack Obama, change has happened indeed, historical change. This was the gloom side, while on the doom side the financial crisis has written history too. The biggest crisis since World War Two has hit the global markets and calls for change in all aspects of the economic life.

Crisis always goes along with change and people doing business in China know that the Chinese word for crisis also stands for opportunity. Hence, with every single decision things not only change, they can also create opportunities. Yet, wise decisions do not come with panic or short-term actions but with a relaxed mind.

In a crisis you are never alone. People get closer, share common hopes and worries and solidarity gets stronger. Be it with your partner or any group, one needs to communicate transparently, analyse honestly and plan comprehensively with long-term sight. And this needs patience, endurance and the capability to accept and fight pain jointly with others. China has often proved to have these abilities when navigating through storms such as the financial crisis in Asia, SARS or the devastating earthquake in 2008.

However, the situation China is facing now is much harsher than that of ten years ago. It is now much more linked to the external economies with its export dependence increasing from 15% in 1997 to around 45% in 2008. Furthermore, the demand is declining far sharper than it was during the last slowdown. As the financial crisis takes its toll on the real economy, the negative impact is unfolding and intensifying and calls for similar measures like in the West. Certainly, China will not be able to stand by the global recession and it is still too early to judge whether and how soon the stimulus measures will

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Since July 2008:

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work, but the regional economy and private consumption remain resilient, and the state-funded investment could partially cushion the downside risk of the economic development.

Looking at the positive side, the crisis will consolidate mismanaged and cool down overheated business areas. The global financial turmoil is indeed a penalty towards those who either pursued an unsustainable, opportunistic business model or carried out investments which were usually speculative in nature and irrelevant to their current lines of business. Companies that have long been developing a sustainable business model with innovation driven and prudent financial management will survive the crisis.

Of course there are companies which even before the crisis already suffered from rising labour and raw material costs. The additional burden with the financial crisis becomes even heavier for smaller enterprises highly depending on export orders and for small manufacturers loosing their sub-contracts in the process of the slowdown of the markets. These SMEs risk to be pushed out from the market unless they get investment aid and are capable to optimize their operations fast.

In this issue of the Bulletin you will find among others articles by experts living in China, reflecting on the financial crisis and its impact on the Chinese economy and the companies doing business in and with China.

But you also find articles about opportunities. For example the executive summary about Asian headquarters in Europe. Switzerland has the potential to create up to 120,000 new jobs in the next ten to fifteen years by attracting Asian companies to set up regional headquarters within its borders. A new report identifies the opportunity for Switzerland, describes the decision-making processes of Asian companies when setting up regional headquarters (HQs), and develops recommendations for capturing the full potential of this next wave of companies expanding into Europe.

An absolute must is the reading of the article about the new book with the title “Supraplanung – Non-Perceived Dimensions of Thinking in the People’s Republic of China” by Prof. Harro von Senger. The man “who knows all about us”, as a Chinese stated after reading the book, warns westerners about judging China on the mere ground of visual impressions and random approaches. Instead of that he accepts at face value what Chinese politicians refer to as the foundation of their thinking and acting.

And last but not least, there are various announcements of cultural events; great opportunities to enjoy and to relax your mind.

2008 has been a year with changes and with emotions of joy and despair affecting everyone, directly or indirectly. The Year of the Ox is predicted to “start with the first six months being particularly challenging, but with hard work, steadiness and conservatism, 2009 will eventually be an improvement over 2008”.

Federal Councillor Doris Leuthard with President Kurt Haerri and Vice President Richard Friedl of the Chamber during the event last September in Zurich.

Thinking positively and having an honest smile as often as one can, affects the environment for good and opens the heart and mind of others and for new ideas. In this view, we would like to thank all members for their continuous support and wish them and the friends of the Chamber time for joy and reflection and strength for the tackling of the changes ahead.

Susan Horváth
Executive Director, Member of the Executive Board

Annual General Assembly 2009

with honorary guest and keynote speaker

Peter Brabeck-Letmathe
Chairman of the Board of Directors
of Nestlé S.A.
Chairman’s and Governance Committee
(Chairman)
Nominations Committee

Tuesday, May 26th 2009, Zurich
Invitation will follow in due time.

2009 – Year of the Ox

According to the Chinese Zodiac, the Year of 2009 is a Year of the Ox (Earth), which begins on January 26, 2009 and ends on February 13, 2010. Second in the cycle of 12 animal signs, the Ox year recurs every twelfth year. Earlier Ox years: 1913, 1925, 1937, 1949, 1961, 1973, 1985, 1997. The Ox year is a conservative year, one of traditions and values. This is not a year to be outrageous. A slow but steady year.

The year of the Ox is associated with domestic trouble that seems to have no solution. The grounded, rational, earth influence of the Ox may bring good fortune to troubled economic times but only with a sustained, well planned effort. The Ox influence brings an aversion to risky credit and quick answers that are not well conceived. The Ox year brings success only through discipline and through hard work. The steady ox is quick to anger when confronted by what seems to be irrational opposition, but the use of reason works well and avoids a charge by the angry bull. There is much danger of war and unrest if diplomacy does not prevail.

The last time the earth Ox was seen as the ruling influence was January 29, 1949 – February 15, 1950. The world suffered a recession in late 1948 and early 1949. The world economy recovered during the year of the ox due to rational decisions and careful planning. By 1951, the recession was over. Many will be searching for a quick solution to the current economic crisis, but the ox favours a well planned, consistent path that will take more time but lay a foundation for long lasting results. The strong earth influence of this year favours a strengthening of the housing market, but risk takers will not find this year favourable. Those who look for long term benefits, have a well thought out plan and are willing to work to see results will find great success.

People Born in the Year of the Ox tend to be patient and dependable, bright and rational to the extreme. Although they may seem quiet, when they speak they are eloquent and worth paying attention to. Their steady pace can inspire confidence in others and helping others is important. The Ox will avoid risk in business or personal relationships whenever possible. Steady savings and financial stability are hallmarks of this sign. Credit cards and high debt are not the choice of this conservative sign. The ox does not seek extremes. Steady, hard work that brings balance to their secure and stable home and work life is the goal.

The Ox can be a strong ruler but needs to be very careful to accept council from others. Beware the blind pursuit of their plans which can make them harsh dictators. Those born in the sign of the Ox do not like to be argued with. Like the ox, they can be stubborn, bigoted and easy to anger. The Ox does not easily forgive those who disagree, interfere or stand in the way of their success. The ox finds failure extremely disturbing. Luckily, the careful planning and hard work they are known for mean that they do not often have to deal with this.

These ideas are provided for your enjoyment and amusement and are not meant to take the place of your own good sense.

2009 Business/ Public Holidays

CHINA

01 Jan	New Year's Day
02 Jan	New Year Holiday
25 Jan	Spring Festival (Chinese New Year's Eve)
26 Jan	Spring Festival (Chinese New Year)
27–31 Jan	Spring Festival
04 Apr	Tomb Sweeping Day (Ching Ming Jie)
06 Apr	Tomb Sweeping Day Holiday
01 May	Labour Day
28 May	Dragon Boat Festival (Duan Wu Jie)
29 May	Dragon Boat Festival Holiday
01 Oct	National Day (Guoqing Jie)
02–06 Oct	National Day Holiday
03 Oct	Mid-Autumn Festival (Zhongqiu Jie)
08 Oct	Mid-Autumn Festival Holiday

HONG KONG

01 Jan	New Year's Day
26 Jan	Lunar New Year
27–28 Jan	Lunar New Year Holiday
04 Apr	Tomb Sweeping Day
10 Apr	Good Friday
13 Apr	Easter Monday
01 May	Labour Day
02 May	Buddha's Birthday
28 May	Dragon Boat Festival
01 Jul	Hong Kong SAR Establishment Day
01 Oct	National Day
03 Oct	Mid-Autumn Festival
26 Oct	Chung Yeung Festival
25 Dec	Christmas Day

Swiss Community Project

Reconstruction in Sichuan: School & Housing Sponsorship Project

On May 12th 2008, a massive earthquake and subsequent aftershocks struck Wenchuan County in China's densely populated Sichuan Province, killing more than 80,000 people, injuring more than 220,000 others, and leaving an estimated 20,000 missing or buried under collapsed buildings. The earthquake overwhelmingly affected children as schools were particularly hard hit. Many of the schools simply folded and collapsed. While temporary housing and schooling is now available, reconstruction of permanent buildings is pressing.

Rebuilding Lives

The Swiss Business Community in China, under an initiative of SwissCham Shanghai, cosponsored by SwissCham Beijing and in co-operation with the Swiss Embassy, the Consulates General in Shanghai and Guangzhou, the Swiss Club in Shanghai and the Swiss Society in Beijing, aims to help rebuild lives. A project team has been established to assess the possibility of building an earthquake-proof school building in one of the most severely hit areas, where 80% of buildings collapsed. Our goal is to ensure children can return to school as quickly as possible in a permanent and safe building. Reconstruction will use local materials, be constructed by a local workforce and be built according to the safety standards being developed by the Chinese government.

The project is under the patronage of the Ambassador of Switzerland to China and already has the support of some major Swiss companies such as Syngenta, Oerlikon, Bobst, Rieter, Zurich Financial Services and others.

Project objectives

As well as constructing an earthquake-safe, high-quality, sustainable, environmentally friendly and accessible school, the following additional value-added components have been proposed:

- Training for local workers in sustainable construction and Chinese Building Codes
- Localized risk management manuals and procedures
- Risk engineering expertise to ensure the design is of appropriate standard
- Quality control skills to be applied by local construction companies and officials
- Enable the community to maintain the infrastructure themselves at lowest costs possible
- Stimulate the local economy by using local enterprises where feasible and possible

Timeframe

The project will be implemented under the supervision, guidance and management of the SwissCham and the Swiss Business Community. There will be close coordination with both local and central governments for approvals and government backing. We are in advanced discussions with local authorities in Chong Zhou where the local government is very positive about the cooperation with the Swiss community on this project. The project team is in the final stage of discussions on the contract with the local government. We hope to complete this in the coming weeks. The Swiss Embassy is working with officials to include this project in the NDRC national master plan for reconstruction. The nursery school is planned to be opened in summer 2009.

Steering Committee

The project is led by a Steering Committee, including key people from the Swiss Embassy, Swiss Chamber and Swiss companies. The Steering Committee is open to companies who donate or support the project in a proactive way and wish to participate at the steering committee level. In any event, all donors will be kept informed of status and progress on a regular basis. The following link provides the list of Steering

Committee Members:
http://www.swisscham.org/sha/.

How you can help

We are looking for other Swiss organisations to join in and assist "The Swiss Business Community Reconstruction Project" rebuild the futures of these communities by providing the funding and non-financial resources that are needed to reconstruct schools and homes.

To date we have raised over RMB 6.15 mio. in financial donations and multiple non-financial support commitments including materials, transportation, etc. Furthermore, many of the Swiss companies will look to engage their local staff where possible, to help with this activity. To complete the project, we estimate the total budget required is around RMB7 mio.

Donations will be coordinated through the Steering Committee and PricewaterhouseCoopers will provide monitoring services to ensure that the resources are used effectively and can be appropriately accounted for during and after the project.

If you would like to make a donation or have further enquiries, please contact

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Alternatively, donations can be paid into the following bank account with the reference: "EARTHQUAKE RELIEF"

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Account Number: 2701450101
Bank Address:
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No.7 Finance Street, Xicheng District,
Beijing 100140, China
General Line: 86-10-58327000

New Swiss Ambassador to P.R. China

Blaise Godet was born in 1947 in Neuchatel. He has a law degree from the University of Neuchatel and is qualified as a lawyer. He started his professional career in one of the big Swiss banks and entered the diplomatic service in 1974. Following diplomatic internships in Berne and at the Swiss Embassy in Pretoria, he returned in 1976 to the Directorate of International Law of the Federal Department of Foreign Affairs in Berne. In 1980, he was posted to Jeddah where he was promoted to counsellor to the Ambassador in 1984. In the same year, he was transferred, in the same capacity, to the Swiss Permanent Mission to the United Nations in New York. In 1986, the Federal Council appointed him as vice-director of the Directorate of International Law with the title of minister and, in 1989, he was promoted to the post of deputy-director. From 1993, he was Swiss Ambassador to Thailand, Laos, Myanmar and Cambodia with residence in Bangkok. In 1997, he was appointed Ambassador to Egypt and Sudan with residence in Cairo, and in 2000 he was also accredited in Eritrea. Since August 2001, he was Ambassador and head of the Political Affairs Directorate of the Federal Department of Foreign Affairs. In this capacity, he also held the post of vice-chairman of the Presence Switzerland (PRS) Commission. From November 2004 to October 2008, he acted as Ambassador, Permanent Representative of Switzerland to the United Nations Office and to the other international organizations in Geneva.

Mr Blaise Godet was recently appointed Ambassador to the People's Republic of China, Mongolia and the Democratic People's Republic of Korea. He took up his post in early November, 2008.

He is married, has a daughter and a son, and two grand-children. His hobbies are walking, reading, music and golf.

H. E. Blaise GODET

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Visit of Chinese Minister for Water

Switzerland and China Want to Continue Their Cooperation in the Field of Risk Prevention

Federal Councillor Moritz Leuenberger held a meeting in Berne with the Chinese Minister for Water, Chen Lei. Both politicians were convinced that Switzerland and China can learn from one another through cooperative measures in the fields of water management and risk prevention. They want to carry on sharing experiences and to record them in a Memorandum of Understanding.

Switzerland and China face similar natural risks because of their mountainous areas. At the same time both countries use their water power resources and are dealing with the problems of managing river basins, which will become even more important in the wake of climate change. Since 2001 Switzerland has maintained a fruitful collaboration with China in the areas of prevention and risk management of natural hazards. The Federal Office for the Environment, FOEN, is in close contact with the Chinese Minister for Water and has, for example, been involved in a project for the improvement of runoff forecasting in the Yangtze basin.

Federal Councillor Moritz Leuenberger and the

Chinese Minister for Water, Chen Lei, emphasized at a meeting in Berne on 10th November 2008 that both sides can benefit from collaboration, the sharing of experiences and the transfer of know-how. They welcomed the implementation of further joint projects. At the same time they agreed to sign a Memorandum of Understanding in order to strengthen the collaboration between the two countries in the area of water management.

Switzerland is also very interested in learning from China's experiences in dealing with flood events. On the same day as the Ministers met, experts from the two countries held a meeting in Berne on the subject of risk management and dealing with natural hazards.

Federal Department of the Environment, Transport, Energy and Communications
www.uvek.admin.ch

For enquiries contact:
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Cooperation Program with China

Sino-Swiss Science & Technology Cooperation (SSSTC): Another Step Forward

Dr Maio Su Chen
China Coordinator, SSSTC

With the invention of modern transportation and communication means, it is no question that the world is getting smaller. In the face of the challenge of globalization, the industrialized countries strive to sustain their ability to compete in the world market so as to stay in the leading position. The competition for talent inevitably became part of the game. Many emerging economies have also joined the game, oftentimes by building up their relationship with elite universities in order to tap into the state of the art technologies. These, in turn, welcome and embrace the students from these countries in search for the next student who will become a Nobel price-winner; in doing so, also ensure the supply of a highly trained labor pool for their own countries.

Switzerland is no exception to this reality. Traditionally, Switzerland cooperates mainly with other west European countries and the USA. This is true in our industrial and financial relationship with the outside world; it is also true when it comes to scientific and academic matters. With globalization in full force, the Swiss Federal Council has decided that it is in our interest to diversify our foreign policy, and to expand our focus of collaboration to include several priority emerging countries. Based on this policy, the State Secretariat for Education and Research (SER) has launched a series of bilateral agreements with selected priority countries to promote science and technology cooperation. It is in this context, SSSTC, the cooperation program with China, has now progressed into the second phase (2008–2011). With an overall budget of 8.8 million for 4 years, an expansion from the pilot phase is now underway.

China: Transformation into a developed country

China started the reform of its science and technology system in 1985. From the mid-1990s on, the Chinese expenditure on R&D has been rapidly growing. This emphasis on home grown innovation has lead to a steady and drastic increase in Chinese patent applications. It has been projected that, at the current rate, the number of Chinese patent filing will overtake that of US and Japan, and China will occupy the first place in the world in this regard[1].

In the face of an increasing Chinese prowess on the world stage, as well as the anticipation of a huge market, many western countries rushed in China without a clear game plan, and only to find out that the Chinese market is not as easy and lucrative as they had imagined. Similarly, after years of science and technology cooperation with China, EU countries now have realized that there is a shortage of people who understand Chinese culture and mentality[2].

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1 http://bulletin.sciencebusiness.net, "China poised to overtake US and Japan in patents".
2 CREST working group, Internationalization of R&D – Facing the Challenge of Globalization: Approaches to a Proactive International Policy in S&T. (11.2007)

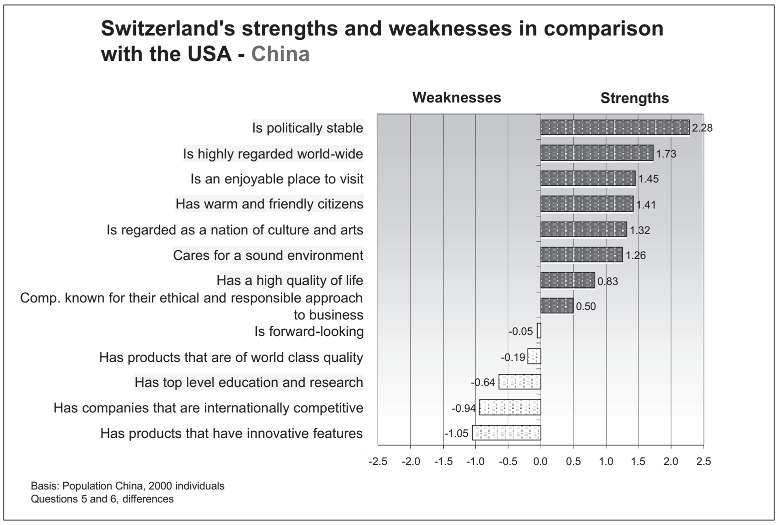
It is with these lessons in mind that SSSTC aims to broadly engage China at a level of equal partnership.

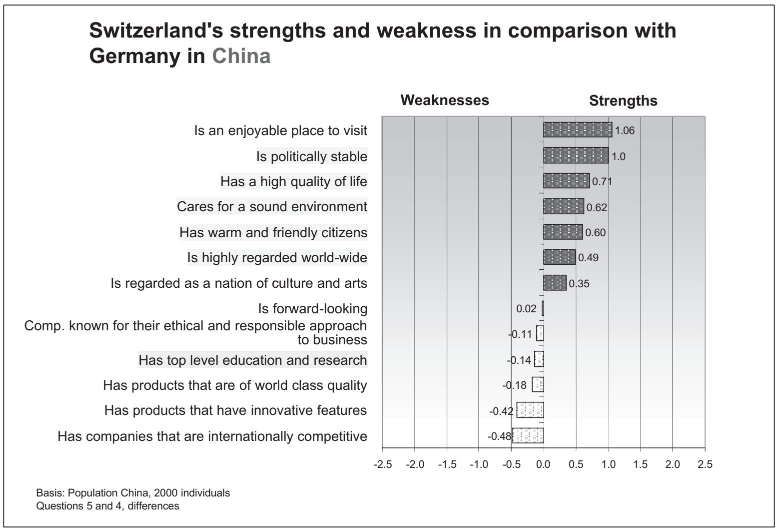
The image of Switzerland in China

Given that many Swiss companies have already set up branches in China, is there still the need for a Sino-Swiss Cooperation program to promote science and technology collaborations between China and Switzerland? As one of the first western countries to recognize the then newly founded People's Republic of China in 1950, Switzerland has not been the fastest to take advantage of this relationship, and the academic contacts have been sporadic. For the most part, such contacts were left to the hands of individual universities or professors. SSSTC, with its pilot phase started in 2004, is the first program that systematically pursues formal research cooperation between the two countries. In contrast to Germany, this has exchange programs with China for many years now. With the familiarity stemming from such exchange programs, it is natural for a student, when considering going abroad for his or her education, to consider going to Germany before he or she considers coming to Switzerland.

Based on an image study done by the "Presence Switzerland", although Switzerland enjoys an overall positive image in China (political stability, high quality of life, beautiful landscape, etc.), this image remains largely stereotypical. Unfortunately, in this stereotypical view, the quality of Swiss education and its strength in research and technological innovation are rated undeservingly low. (See Box)

Although it is not surprising that the quality of Swiss education and strength in research are not as well recognized as those of the USA, it is a wake-up call to see that German universities enjoy higher regard than Swiss universities. In the light of the results of a study done by Shanghai Jiao Tong University in 2006 (the same year when the above-mentioned image study was done) on rankings of universities around the world, where ETHZ was ranked as the best university in continental Europe, this is especially disturbing. In a time when the number of Chinese students studying abroad is decreasing, this image puts Swiss universities in competitive disadvantage against American and German universities.





Against this backdrop, the effort of SSSTC in increasing Chinese awareness of Swiss strength in quality education and research through broadened academic contact and research collaboration is more than timely. A successful SSSTC should put Switzerland in Chinese minds as a country not to be overlooked for its technological achievements.

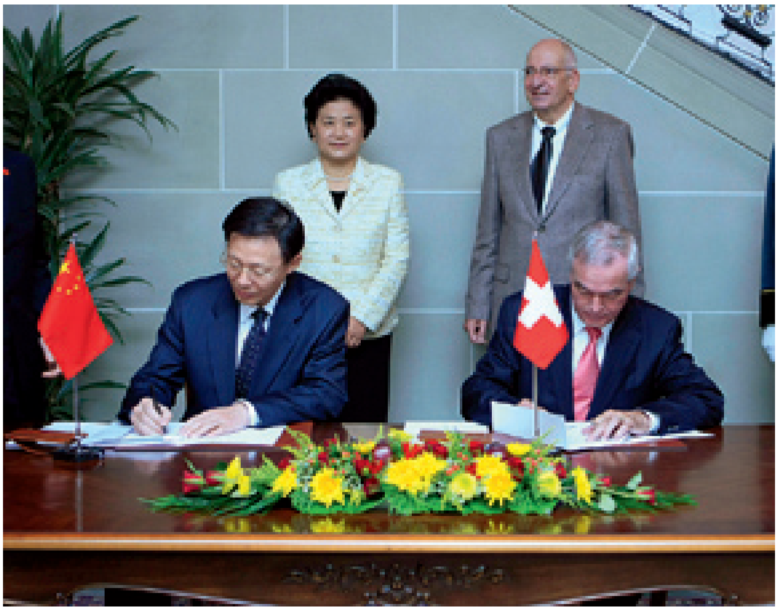
Chinese image of Switzerland

In an image study done by "Presence Switzerland" (www.presence.ch) in 2006, 2000 middle- and upper-class Chinese, 360 "opinion leaders" and 500 master- and Ph.D. students from top 10 Chinese universities were asked of their knowledge and impression of Switzerland. The yellow highlighted items are what Chinese consider important for a country. The result shows that of the 6 factors Chinese consider important for a country, higher education and research capability is the only factor that Switzerland lags behind the USA (by 0.64 point) and Germany (by 0.14 point).

Recent SSSTC Development and Activities

The first call for proposals of the current SSSTC (for a detailed description, please go to www.china.ethz.ch) was published in May, 2008. 76 proposals for the joint research projects (JRP), 13 proposals for the institutional partnership (IP), and 5 proposals for the exchange grants (EG) were received.

In November, 2008, two joint working group (JWG) meetings between SER and MOST (Chinese Ministry



Signing ceremony, November 24th 2008: Front row left to right: Li Xueyong, Paul-Erich Zinsli. Back row left to right: Liu Yandong, Pascal Couchepin.

for Science and Technology) and SER and CAS (Chinese Academy of Science) took place in Bern. The meetings were conducted under a friendly atmosphere. Both sides exchanged their wishes and concerns for the cooperation, and promised to keep in close contact to ensure a successful future collaboration. To elaborate on the latter point, a joint workshop with CAS was organized by both SSSTC and CAS to promote mutual understanding. The Chinese delegation of 18 scientists was lead by Prof. Li Jinghai, vice-president of CAS; and the Swiss participants include Prof Gerhard Schmitt (Senior vice-president, ETHZ), Dr Janet Hering (Director, EAWAG), Dr James Kirchner (Director, WSL), Prof René Dändliker (President, SATW), and scientists from several Swiss universities.

Aside from promoting mutual understanding, 20 JRP proposals were selected for joint funding during these two meetings. The results were then reviewed and signed by the vice minister of MOST, Li Xueyong and Deputy Head of SER, Paul-Erich Zinsli on November 24th, during a meeting between the Swiss President of the Confederation, Pascal Couchepin and the Chinese State Councilor, Liu Yandong. This is a milestone achievement, marking the realization of the Cooperation Agreement in Science and Technology signed in 1989 by the two governments. Beyond that, unlike the pilot phase SSSTC program, when the Swiss government bore nearly the whole cost of the collaboration, these 20 research projects will receive funding from both SSSTC and MOST/CAS. The total financial commitment for them is about 4.5 million Swiss Franks from the Swiss government, and a comparable level of funding from the Chinese government. Such joint funding marks a true cooperation with equal partnership between Switzerland and China, as well as the firm establishment of China amongst the developed countries.

Outlook of the SSSTC Program

With funding committed by both sides, 20 JRPs (plus 6 IP and 5 exchange grants committed by SSSTC) expected to start in February, 2009, SSSTC is on the way to a successful second phase. However, unless the Swiss society as a whole benefits from this cooperation, SSSTC would not be a true success. How is this to be achieved?

Our two major partners (MOST and CAS) have two different orientations. MOST would like the cooperation to become increasingly more narrowly focused in the collaborative research effort, while CAS would like to expand on the priority fields of collaborative research. For Switzerland, clearly it would be beneficial to have a work force that is more tuned to the Chinese culture and Chinese ways of operation. Aside from encouraging academic dialogues, it will be important that these dialogues be put in a practical context: How does one function in the Chinese society?

At SSSTC, we believe that, to reap the full harvest, an active involvement from the private sector is crucial. In order to train a work force that is more adapt to the working environment and the Chinese mentality, it would be important to encourage students to acquire a first hand knowledge of working in China, for example, through working as an intern in China.

With a solid academic backing from ETHZ and UZH, the benefit of support from Swissnex Shanghai, and good partnership with both MOST and CAS, SSSTC is in a good position to promote Swiss universities. Our next task will be to find ways to work with the private sector, to convince companies in taking advantage of the synergy created through SSSTC. In particular, we would like to engage companies with branches in China through providing internship positions for students and planning for joint research projects with Chinese scientists.

Conclusion

In a waning American dominance both economically and technologically, Swiss companies have to be ready for a multi-polar world. SSSTC provides ways in preparing and familiarizing Swiss students for their potential future activities in China. We look forward to a dialogue with the private sector in the coming year in order to fulfil this task assignment.

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The New Swiss Schengen Visa

Since December 15th 2008, Switzerland issues the first Schengen visas. The new Swiss Schengen visa facilitates travel in Europe for Chinese passport holders as it not only allows travel in Switzerland but also in the whole Schengen area. Conversely, Chinese passport holders with a valid Schengen visa issued by other Schengen states are also able to enter Switzerland without an additional Swiss visa. As a non-European Union (EU) member situated in the heart of Europe and completely surrounded by Schengen member states, Switzerland's integration into the Schengen area represents a natural development and a further step in its cooperation with the European Union.

Hervé Findeisen, Head of Visa Section,
Embassy of Switzerland, Beijing

On this occasion, the Swiss Chamber of Commerce in Beijing organised a breakfast seminar on the Schengen visa issue on December 9th 2008.

Members and non-members of the Chamber, all from diverse Swiss, Chinese and foreign companies came to listen to the Head of the Visa Section from the Embassy of Switzerland in Beijing – Mr Hervé Findeisen. The seminar started with a warm welcoming from the Vice President of SwissCham Beijing – Mr Peter Troesch – who also introduced the speaker in a few words. Mr Findeisen is from Geneva and has worked the last three years in the Swiss Ministry of Foreign Affairs as an Inspector for visa anti corruption. Since July 2008, he is the Head of the Visa Section from the Embassy of Switzerland in Beijing, the second biggest visa section of Switzerland abroad. This section is formed by 14 staff who issue 90'000 visas per year.

Mr Findeisen gave a thorough presentation on the Schengen visa procedures and regulations. The Embassy and Consulates in China issue around 120'000 visas every year. Although Switzerland is not a member of the European Union, it is part of the Schengen agreement. On the contrary, Ireland and the UK are EU members but do not issue any Schengen visas.

Main updates

The main updates about the Swiss Schengen visa are:

■ New application form
Downloadable on the Embassy website: (http://www.eda.admin.ch/etc/medialib/downloads/edactr/chn/bei.Par.0088.File.tmp/SchengenSwissVisaApplicationForm.pdf)

■ Schengen visa sticker
There will be a photo on the visa.

■ General requirements
Strict photo quality regulations as required under Schengen,
2 photos per person,
Travel health insurance compulsory (with minimum coverage of 30'000 Euro or 50'000 CHF)

■ Visa fees
All visa fees are at the same rate of 60 Euro.

■ Period of stay and validity of the visa
The validity of the visa is indicated with the exact date of allowed entry and of obligatory leave.

■ Schengen visa categories
– Airport transit visa (A)
– Transit visa (B)
– Short stay travel visa (C)
– Longer stay visa (D)
– Residence and travel visa (D + C)
– Limited territory visa (LTV)

■ Territorial responsibility
Where to apply for the visa? The main destination is defined by the main purpose of journey, as a second priority the longest length of stay and last the state of entry in the Schengen area.

The issue of territorial responsibility was also explained in detail.

Mr Findeisen gave three examples of travels in Europe:

1) Switzerland for business – France and Italy for tourism.
2) Tourism: 3 days in Switzerland – 2 days in France and 2 days in Italy
3) Tourism: 2 days in Switzerland – 2 days in France and 2 days in Italy.

For number 1) the main destination one should write when applying for a Schengen visa is Switzerland, because the purpose of the travel is business. For number 2) it will also be Switzerland because the length of the stay is longer than for the two other countries. For number 3) as the scheduled time is of two days for all three countries, the main destination will be the country where one lands first.

Application Process

The normal time to get one visa is 5 days, but it is possible to go through the 'fast track', which takes only 48 hours. Swiss companies can apply for being listed in the fast track procedure, so that their employees can receive their visa faster.

Questions and answers

At the end of the presentation many questions were raised:

Audience (A): *We are doing business with many high ranked Chinese people in diverse companies. We have gone several times through a very unpleasant experience: once having applied for the visa Schengen, bought the plane ticket for the Chinese visitors and booked the hotel, out of ten applications three were refused by the Embassy at the last minute. This is not only a loss of face for us, but also a waste of money and gives a bad image of Switzerland. What is your view on it?*
Findeisen (F): I totally agree on the fact that it is unpleasant. We are working on it, we want to develop a good relationship with people doing business with Switzerland. But you have to know that in such cases you shouldn't hesitate to directly contact the Embassy and discuss the problem.

A: *When going to Switzerland from China, there are no direct flights. Is it possible in that case to stay a few days on a holiday in the first country we land in and then go to Switzerland for business, even if the visa has been issued from Switzerland?*
F: Yes, no problem.

A: *If a Chinese has had his or her passport issued in the south of China for example, but that this person lives now in Beijing and works in Beijing, is it necessary to apply for a Schengen visa in southern China or can it be done in Beijing?*
F: As long as you can prove that you live and work in Beijing, then it can be issued in Beijing. You should show your residence permit when applying.

A: *If I want to go to Switzerland and then to the UK, as the UK don't issue any Schengen visas, what do I do?*
F: If your first destination is Switzerland you apply for one visa for Switzerland, and then for another one for the UK.

A: *If a Chinese person has a visa of 90 days to do business in Switzerland and then finds another work in Germany, is it possible for the person to go to Germany without applying for a new visa?*
F: If the person has worked for example 1 month and wants to go to Germany for less than two months, then it is possible. But if the person wants to work for longer, then the person needs to apply for a new Schengen visa but this time in Germany.

A: *Is it possible to send someone to do the Schengen visa on behalf of someone else?*
F: Normally the applicant has to come in person to the visa section to apply for a visa. We only make exceptions for people in the diplomatic field, people working in international organisations and employees from Swiss companies.

A: *If a Chinese person has had his visa application refused, are there any chances to have it accepted another time?*
F: First, when an application is refused, the visa section will put a stamp on it. But this only means that the application has been refused. The visa section that puts the stamp has to inform the visa sections of other countries about the reasons of refusal. If the purposes are not coherent with the regulations, then we can re-examine the file as a normal file.

A: *Once the Schengen visa takes effect, what impact do you think this will have on the development of the Swiss tourism?*
F: I think there will be more and more Chinese people coming to Switzerland and that the trend of people who used to travel to the European countries and discovered Switzerland, will start coming only to Switzerland and spend their whole vacation in our country.

A: *Will there be any cooperation between the European travel agencies and the Swiss travel agencies in the future?*
F: Switzerland will accept all the travel agencies registered in the Chinese national tourism list.

A: *When applying for a language exchange or visiting a relative what changes will there be once the Schengen visa takes effect?*

F: If you want to stay longer then 90 days in Switzerland the procedures are the same than before, otherwise you can apply for a Schengen visa.

A: *If one wants to apply for a visa for medical care what is the procedure to follow?*
F: Apart from filling the registration form, you also have to prove that you have already paid the fees for the medical care, and that you have an invitation letter from the hospital where you want stay.

Mr Findeisen thanked the people attending for the great interest they had in his presentation and was glad to be helpful. He also indicated that the updated information on the Schengen visa would be available from December 10th 2008 on the website of the Embassy:
http://www.eda.admin.ch/eda/en/home/reps/asia/vchn/embbei/visa.html

The visa Section of the Embassy of Switzerland can be reached at:
Telephone: 0086-10-85 32 87 55
Fax: 0086-10-65 32 62 10
Email: bei.visa@eda.admin.ch

SwissCham Beijing
info@bei.swisscham.org

CEOs & China Managers: Optimism in the Face of Slowing Markets

How foreign multinationals view their China business when their home markets are in crisis…

Jan Borgonjon
Partner and President
InterChina
Consulting

The global economic landscape is being reshaped as China joins other economies facing slower growth following the meltdown of global capital markets. InterChina interviewed more than 30 CEOs of European and other multinational corporations with operations in China to assess just how they are faring and how they are adjusting to these changing times. The good news is that most of those executives foresee continued strong growth in China, although on a more modest scale than in years past. However, many recognize the imperative to contain costs to maximize their own competitive leverage in a market that still holds much more promise than most others.

The chill from the world financial crisis has begun to take its toll on China's own still robust growth, with the worst damage seen in export-oriented industries most vulnerable to collapsing demand overseas. Many Western economists are revising their economic growth forecasts for China down to around 8 percent in 2009 and 2010, although opinions regarding the likely scope and duration of the slowdown vary.

InterChina recently surveyed more than 30 CEOs and China managers of multinational companies and found that, depending on the industry, most expect the China market to continue to grow and outperform other major world economies. Most say they believe the impact of the global financial crisis on their China operations will be limited. "I expect that China's economic growth will slow down a bit in 2009 but the China market still continues to grow faster than others in the world", a CEO of a multinational company said.

Much of that optimism is pinned to the Chinese government's aggressive moves in recent weeks to help prop up domestic demand with massive spending. The 4 trillion RMB (US$586 billion) fiscal stimulus plan announced on Nov. 9 calls for substantial investments in public housing, rural infrastructure, transportation, health care and education – exactly the areas economists say must be addressed to help entice frugal Chinese consumers to spend more. The plan, the largest undertaken by Beijing so far, amounts to about 16 percent of China's economic output last year. It is still too early to predict what impact it will have on domestic demand overall, but it is a much stronger response than that offered by China during the Asian Financial Crisis of the late 1990s. Since economists had anticipated such a move by the government, the spending plan did not result in any significant upward revisions in growth forecasts, which had already taken it into account.

Most of the foreign companies we interviewed are naturally trying to boost sales in China to compensate for lost sales in Europe and the United States – the markets at the center of the epicenter of the global financial upheavals. Managers are under pressure from parent companies to cut costs while expanding sales. So far, none of the companies we surveyed said they planned layoffs in China thanks to the need to build up strength in this growth market.

Still, given the uncertainties prevailing in the world and the difficulties of gauging how recessions elsewhere will affect China, companies have become more cautious in their spending. "Even small, daily expenses can influence annual profits and losses", said Marco Rampichini, general manager of SCM Group China, a woodworking machinery company. "We now use normal mail instead of express couriers, choose cheaper hotels and book flights in advance to get discounts on our travelling expenses", he said.

Rampichini is so cautious because he thinks the recession will have a profound impact given China's own heavy reliance on exports for growth. "China still considers itself the factory to the world. It is too export-oriented and too low-price oriented. This is the first major economic crisis in the Chinese capitalist adventure and managers and entrepreneurs are pretty scared and don't know clearly how to face the new situation", he says.

At the same time, many general managers of Chinese-based companies have a completely opposite point of view and remain optimistic. "I do not think there will be a serious macroeconomic problem in China in 2009, although some companies are facing difficulties", said a general manager of a Chinese electric control systems maker. "We will expand our production capacity, by purchasing new land, building new factories and buying new machinery if necessary", he said. This manager expects sales growth of about 30 percent in 2009, matching its expected 30 percent growth in 2008. Hence his very different point of view regarding the economy and growth forecasts for next year.

Yet, many companies do not have the luxury of such bright prospects. Most foreign auto, construction materials, pharmaceuticals and textile makers and some machine tool manufacturers are concerned

about a slowdown in the coming year. That said, they acknowledge that the situation in China is still much better than that back home.

The climate surrounding the car industry, often a good barometer of macroeconomic conditions, suggests turbulence ahead. Some auto analysts are forecasting that passenger car sales growth in China this year will be only 6% to 7%, less than half of earlier forecasts. Sales in 2009 will likely be flat or even below those in 2008, they say. A CEO of a multinational automaker told InterChina that his company's auto sales fell 30 percent worldwide in October, while auto sales in China dropped 15 percent. "Our sales have been growing about 30 percent a year for the past three years, and our worst-case scenario is that sales in 2009 might be the same as in 2008", a general manager of a leading European car maker said. "China will be the only market in 2009 that we can leverage against our global sales decline." His company is cutting new investment and trying to control labour costs and all other expenses, like many others.

Some foreign export-oriented companies or those who both export and sell to the domestic market are shifting toward boosting sales in China. A U.S. pharmaceuticals maker's China manager said his company's 2009 China strategy is to develop its sales here. The company, which has some joint ventures and wholly owned units, said: "China can be a good place to diversify our risk and we will shift our sales to the domestic market in place of exporting to Europe or the U.S., where we expect lower sales.

However, labour intensive industries like textiles, already hurting even before the global financial meltdown, have plunged into full-blown crisis. "Now it is a matter of survival. In the past we pursued a growth strategy in China. Now we have to reduce the shop floor capacity, localize further and keep investments to a minimum this year and next year", said the China general manager of a European textile machinery maker. The company, half of whose sales were imported equipment, intends to increase sales of less expensive, locally produced machinery, he said. The shift makes sense: now that China is ending VAT refunds on imported machinery, customers will tend to prefer cheaper domestic models.

Whatever happens, people have to eat. One of the areas expected to be least affected by the slowdown is the food and beverages industry. An Asian food, beverage and franchising company official says he anticipates sales growth of over 25 percent in 2009, with the franchise businesses expanding by more than 100 percent. "Our company is well funded and has ample cash and capital to expand, but other companies which do not have cash and face difficulties in getting loans will be in trouble", he said.

China's food and beverage market is estimated to be worth more than US$340 billion. Depending on how you define it, it is already one of the world's largest. China's urban food and beverage retail sales almost doubled to 1.097 trillion RMB in 2007 from 544.02 billion RMB in 2002. "We don't predict a cooling, and we're very, very optimistic", said a China manager of a food-related automated machinery maker. "Consumption will stay strong and positive. There may be a mid-term impact from the subprime crisis, but not for all of 2009", he said.

The "Sanlu" uproar over melamine contamination of milk and milk products is paving the way for discussions on how to upgrade the entire sector's product quality and standards. The resulting extra government financing and investment will be a boost for food-related businesses and other foreign players in this sector. At the same time, consumers will be more selective and shift toward higher, more premium choices.

Steel is another promising area, despite recent cutbacks by domestic steel mills due to slumping demand. "The government's investment package will take effect in the second half of next year, which will improve the construction industry", says a senior executive at a multinational steel maker. He notes that the construction industry accounts for more than 55 percent of China's steel consumption.

Retail fashion is another growth area, according to the multinational CEOS we polled. Retail sales have been growing at a rate of more than 20 percent in recent months – reflecting the growing purchasing power of Chinese consumers, despite contractions in other markets. "Our target segment of middle-class and wealthy shoppers is still growing and their consumption power is very strong", said the Asia Manager of one of Europe's top fashion companies.

Manage HR and Control Cost

Effective human resources management – never an easy task – has become all the more important in this difficult economic environment; all the companies we interviewed said. The challenge of finding and keeping good middle- and top-level Chinese managers has been one of the country's comparative disadvantages for a long time. Sustainable growth will require a higher level of commitment, economic resources and local managerial flexibility, they say. "I blame HQ managers more than the ailing economy", said one general manager of a multinational company. "The signs were there. We could have reacted much sooner, and in our specific case when you make a major investment in a country like China you must tie all the knots and secure short-term and long-term resources in advance. They never secured the long term", he said.

Naturally, good HR management is key to controlling costs. "The best way for us is to pass the burden on to our customers. But the market is very competitive and price sensitive, so we're not always able to do that. Hence, we're now running various cost-cutting measures, such as finding alternatives for cheaper warehouses or cheaper distribution hubs to reduce logistical costs. Or we're tackling packaging costs", said a top manager of a European machinery maker. "Those initiatives are very important to us. It really

InterChina Consulting, a Member of IMAP in China

InterChina Consulting was established in 1994 with the aim of assisting Western companies in China. The company brings together more than 40 committed Western and Chinese professionals with international business and management experiences and operates in China with offices in Beijing, Shanghai and Shenzhen. InterChina is unique in its combination of hands-on China experience, international exposure and conceptual ability. It offers a true bi-cultural resource to Western acquirers. Due the scarce desk data available, InterChina conducts every year over 2'000 face to face interviews in connection with target research and due diligence. Besides its M&A practice InterChina assists its clients with strategic consulting, HR services and administrative and financial support.
www.interchinaconsulting.com.

changes the way we have done business in China!" he said.

The inherent tension between market growth and cost controls can generate contradictory priorities and instructions from HQ to China affiliates. "We have HQ instructions to increase sales in China and, at the same time, to reduce costs. They have informed us that their HQ resource commitment for China will also be reduced, due to a global cost cutting program", said the China CEO of a leading US medical equipment group. The general manager of a leading European industrial components group faces the same dilemma: "The global economic crisis is making my company focus all its growth for the medium term in China, while it wants to keep profitability in the short term. This is very difficult in this market under these economic conditions", he said. The China manager of an American client puts it this way: "Both our headquarters and our China operations are pressured to increase sales and reduce costs. But our resource commitment is greatly undermined. There is no milk for the baby!" he said.

China operations need more support from their headquarters to be competitive in the China market, and good communications with HQ is crucial. Reaching economies of scale as quickly as possible, and thus gaining greater leverage in negotiating with suppliers is another key tactic. "My main operational challenge in 2009 is to develop a network of subcontractors, selling points and a stronger purchasing structure – all at once", said a China general manager of a European construction sector company.

Seize the Day

The Looking Ahead, challenging times can be the best opportunity to grow market share or increase sales in China. The best time to buy stock is when everyone else is selling and the market is hitting bottom. "The crisis offers us a chance to grab market share from our competitors. We have a very flexible cost structure, so we will be able not only to survive but also grow", according to the GM of a medical equipment company. "This will be the right time to look at acquisition opportunities, as less efficient competitors might find the environment more difficult."

"We will focus on quality rather than quantity. Even if we invest less, we will invest carefully. We may have fewer new customers but we will follow them up with more care", the GM says, adding "They will appreciate and remember our service, and when conditions improve, they will continue investing with us." It's a strategy equally wise for good times and bad.

Contributed by

Mr Jan Borgonjon
Partner and President, InterChina Consulting

Jan Borgonjon, a Belgian national, was one of the founding partners of InterChina Consulting in 1994, and is now President of the company. He has been a resident in China for 20 years.

and by Mr Eduardo Morcillo
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Edited by Kazuhiko Shimizu, Shanghai-based writer and editor.

For further information, please visit
www.InterChinaConsulting.com

Euler Hermes Country Risk Ratings

South, Central and East Asia

Euler Hermes continuously monitors country risk across the globe. Their methodology combines both political and economic analysis. This produces country ratings in six categories, from the safest to potentially the most risky. Below you can see a detailed table of risk ratings from South, Central and East Asia.

Euler Hermes worldwide

- Leading credit insurer worldwide
- Presence in over 50 countries
- Standard & Poor's rating AA-
- More than 6.000 employees worldwide
- 800 billion euros of business transactions protected worldwide
- 40 million companies monitored in the risk databases
- Member of the Allianz Group

Outlook of South, Central and East Asia

Pakistan's resolve to secure multilateral financial support should prevent an immediate external debt default and provide import funding but IMF conditions will test a weak government's resolve. In **India**, concerted loosening in monetary policy reflects a shift in concern towards potential slowdown in overall growth and away from inflationary pressures. We expect overall GDP growth to ease to 7.5% this year and 6% in 2009, reflecting the global slowdown. As a sign that the authorities in **China** are increasingly concerned over slowing growth (annual GDP growth was 9.9% in 1990–2007), both monetary and fiscal policies have been actively employed. A ten-point plan focuses mainly on infrastructure investment, but also includes VAT reform and support for rural and low incomes. The government in **South Korea** announced in October a financial stabilisation package of USD130bn, although this action will not prevent a broad-based slowdown of the economy and we forecast GDP growth of only 1% in 2009. **ASEAN**

Jörn Volk, Managing Director of Euler Hermes listening to Federal Councillor Doris Leuthard during a Chamber event in Zurich in September.

Definition of Euler Hermes Country Ratings

EULER HERMES

EH Rating	Definition
AA	Strong economic structure and policy framework (industrialised economy or similar). Negligible risk of external liquidity crisis. Generally sound business environment. Negligible risk of political instability. Strong capacity to respond to economic crisis.
A	Economic structure and policy framework generally adequate. Very low risk of external liquidity crisis. Generally sound business environment. Negligible risk of political instability. Good capacity to respond to economic crisis.
BB	Some signs of structural and policy weaknesses. External liquidity adequate, some weaknesses in business environment and/or significant, though moderate, risk of political instability and adequate capacity to respond to economic crisis.
B	A range of structural and policy weaknesses and/or vulnerable external liquidity position, some weaknesses in business environment and/or serious weaknesses in political framework with higher risk of political instability and limited capacity to respond to economic crisis.
C	Deep structural weaknesses and/or strong policy measures required and/or external liquidity risk is high, serious weaknesses in business environment and/or serious weaknesses in political framework with higher risk of political instability and little capacity to respond to economic crisis.
D	Structurally very weak and policy ineffective and/or current/imminent external liquidity crisis, serious weakness in business environment and/or actual or very high risk of political instability. No capacity to respond to economic crisis.

December 2008

annual growth, which averaged almost 6% in 2002–07, is forecast to slow to 3.4% in 2009, after 5% this year. In **Indonesia**, we expect real GDP growth to slow to 3.5% in 2009, reflecting a marked weakening of external demand amid the global economic downturn. Euler Hermes forecast of December 2008.

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On Track to Resist

The Yangtze Delta Region in the Global Storm

End of November 2008

For a time, it seemed that Shanghai only heard the thunder of the financial crisis roar, with little rain falling. Thanks to its capital control, huge foreign reserves, and strong fiscal surplus, one could think China could be more or less a bystander in this financial tsunami, as it had been during the 1997 Asia financial crisis.

However, the situation China is facing now is much harsher than that of ten years ago. It is now much more linked to the external economies with its export dependence increasing from 15% in 1997 to around 45% in 2008. Furthermore, the internal demand is declining far sharper than it was during last slowdown. As the financial crisis takes its toll on the real economy, the negative impact on the Yangtze Delta Region is unfolding and intensifying.

The national economy has been slowing gradually since the second half of last year, due to the government's efforts to cool down the economy and fight inflation. The first three quarter GDP growth reported at **9%, well below last year's 11.9%**. As the dragonhead of the Yangtze Delta Region (YDR), **Shanghai's economy expanded 10.1%**, with heavy losses in income of the small and medium size enterprises. The pace at which the economy is cooling accelerated sharply in September and October, prompting a steep drop in confidence among companies and consumers. Pessimists started to worry that no eggs stay intact under an overturned nest of the world economy.

Many economic indicators signaled a sharp slowdown beyond expectation:
Power generation reported negative growth in October, which was the 1st time since May 1998. The Purchase Management Index (PMI) of China's manufacturing sector dropped to historical low to 44.6% in October, down 6.6% from September. Being the economic powerhouse of China, Shanghai' industrial production only grew 3.8% in October to USD 29.2 billion, the slowest expansion this year. It was down from September's 6.4% and August's 9.2%, showing a trend of sharp slowdown.

The Stimulus Plan

The worse than expected slowdown forced government to adopt stronger measures to stimulate the economy. Over the past several months, China has taken a series of steps to bolster its weakening economic growth, which included interest rate cuts, lower bank reserve requirement ratios, higher credit quotas, injections of central government funds and increased focus on infrastructure construction. **The Stimulus Plan** announced by the State Council on 10th November started a massive scale package to prevent the economy from slowing too rapidly. That move marked China's policy turnaround from stepping on the brake for the 1st half of 2008 to tapping the accelerator for the 2nd half.

The plan announced that **China would spend RMB 4,000 billion (USD 586 billion)**, – an amount equivalent to 16% of the nation's GDP last year and the total of government spending in 2006 – **on infrastructure and social welfare** over the next two years. The sum is also equivalent to 14 Olympics in two year's time.

The investments will focus on low-income housing, water, electricity, disaster relief and transport, with railways expected to see a big increase. In addition to investing substantial funds in infrastructure, the plan also announced that China will be adopting **"active" fiscal** and **"moderately active" monetary policies**. This is the first time in history China has indicated a policy shift towards "active" currency policies. The stimulus plan also introduced a **long-awaited reform of value added tax** (VAT tax) which would cut industry costs by RMB 120 billion (USD 17.6 billion). The more relaxed monetary policies will potentially further encourage foreign investments in China.

Questions Raised by the Stimulus Plan

Much has been discussed and reported about this huge stimulus plan. It is announced that the package should result in China's economic growth remaining above 8.5% for this year, to be above the psychological level of 8%, which is believed to be the lowest China can tolerate to keep the economic engine running and maintain social stability. Following the central government's call, local governments started the race on a new round of infrastructure boom.

No doubt the move will boost the declining economy and inspire investor confidence. However, **many questions remained with the massive plan**. Firstly, there was no clear indication where the amount of money would come from. Secondly, among the 4 trillion yuan, how much has already invested on the ongoing projects and how much would be for new projects also remains unclear. Thirdly, the massive government investment might weaken the private investors' purchasing power in raw material and labour force and therefore might deteriorate the busi-

ness environment for private economy. Furthermore, how to choose the proper projects and monitor the quality will paste challenge for such a huge investment within the short time.[1] The concentration of approval in investment in such a short time might again lead to redundant investment, excess liquidity and overcapacity, which the government has been fighting for several years.

The Move of Shanghai

It is still unclear what will be the share of Shanghai and what will be the approved projects from the central government's package of USD 586 billion.

Echoing central government's call, **Shanghai announced its own 500 billion yuan (US$73.3 billion)** plan to spend through 2010 for urban construction covering the five areas of transformation of old urban areas and affordable housing construction, suburbs infrastructure facility, further construction of international shipping centre, improvement of public transportation, energy-saving and environmental protection.

From January to October this year, nearly 97 billion yuan (USD 14.2 billion) has been put into use for traffic improvements and the construction of new Metro routes, tunnels and transport hubs in readiness for the Shanghai **World Expo in 2010**. In addition to this 500-billion-yuan plan, the government will also launch **a 160-billion-yuan (USD 23.4 billion) economic stimulus package** on areas as transportation, industrial upgrading, environmental protection and other projects regarding the 2010 Shanghai World Expo.

The detailed projects of this package have not been unveiled, except for the expanding of **rail and high way connections to other provinces in the Yangtze River Delta region**, which will further the regional integration and co-operation. The city will also continue to promote technology innovation, energy saving and environment protection. It has been announced that 30 billion yuan (USD 4.4 billion), half of the city's entire environment budget will be spent on controlling water pollution over the next three years.

Near Future Perspective in YRD

Swiss companies in the region are generally optimistic and still committed to the Chinese market and its future. On the other hand, the impact of the global recession on the region is still unfolding, which turned out varying from sector to sector. **Textile industry, local automobile and components suppliers are the first to be hit. High-end hotels and restaurants** felt it quickly as well. Some companies are experiencing the decline of orders, or postpone of delivery for the next year. Some hope to recover soon next year. **Construction related industries** will surely benefit from the new round of infrastructure investment. There are also companies enjoying steady growth in the domestic market and trying to **consolidate their presence in YRD**, in an effort to compensate the slowing down in western countries.

It is noteworthy that in the YRD, economy will be dragged by downturn **consumer mode**. As China's economic engine and favourite FDI destination, white-collar workers account for the majority of YRD's workforce.[2] The fear of losing job, together with the economic uncertainty has changed many workers shopping habits and start to cut their expense. Despite big discounts and unusual promotions the city's retailers are facing substantial downside risk.[3]

The first half of 2009 will be **"tough"** for the region. **But the economy is still in good shape.** For the first nine months, Shanghai has attracted contractual **FDI** with an amount of USD 12.85 billion, which was **an increase of 21.6%. Re-investment** accounted for **60%** of the total, showing continuous confidence on the city's sustainable growth.

Certainly the Yangtze Delta Region will not be able to stand by the global recession and it is still too early to judge whether and how soon the stimulus measures will work, but the regional economy and private consumption remain **resilient**, and the state-funded investment could partially cushion the downside risk of the economic development.

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1 The central government announced to invest RMB 100 billion for the remainder of 2008, which has attracted local officials with new projects applications rush to the National Development and Reform Commission for approvals with relaxed requirements. Anhui Province, the least developed province in the Consular region, has submitted over 440 projects applications and secured its biggest transportation project with total investment of 25.7 billion yuan (USD 3.77 billion).

2 They are part of the country's growing middle class and used to be the big spenders and compulsive buyers.

3 As a matter of fact, China has enjoyed unbalanced growth, with excessive rates of savings and investment and inadequate consumption for many years. The fruits of the economic reform are not adequately shared by the people to be able to boost a consumption driven growth. Furthermore, the absence of sound social security system forces people to continue to save.

China: Annual Economic Report

Appreciation of the Economic Problems and Issues

November 2008 Update

After five years in a row with double digit growth, China's economy shrank during 2008. Economic growth slowed to a year-on-year expansion of 9% in the third quarter, after a growth of 10.6% in the first quarter and 10.1% in the second quarter. **The economy expanded at an annual rate of 9.9% in the first nine months of the year**, compared to 11.9% for the whole 2007.[1]

Growth of 9% in the third quarter was slower than expected. This **downturn is mainly due to a decrease in industrial production and construction**. Many factories were forced to close down during the Beijing Olympics – in order to improve air quality – and the financial crisis lead to a drop in external demand. Domestic investment slowed down due to a slide in the property market.

After the release of the third quarter statistics, the State Council – China's highest government body – immediately announced to adopt **"flexible and prudent economic policies" in order to "maintain the stable and rapid growth of the economy"**. China's government fears joblessness as this could lead to social unrest. Therewith the major economic concern of the Chinese government has shifted quickly from controlling inflation and excess demand to maintaining growth. The government announced increases in export tax rebates on more than 3000 products, including labour-intensive products like garments and textiles as well as high value products like mechanical and electrical products.[2]

Despite the weakness in the global economy, the merchandise trade surplus reached a new monthly record of US$ 29.3 billion in September.[3] Trade grew by 25.2% year-on-year in the first three quarters, up 1.7 percentage points compared to the same period last year. While exports went up by 22.3% year on year, a drop of 4.8 percentage points compared to last year, imports grew by 29%, a rise of 9.9 percentage points. In the third quarter import growth slowed down from the rapid rates recorded in mid-year reflecting a fall in commodity prices and therefore improving China's net trade.

However, as demand from China's most important trading partners – the European Union and the USA – is declining in the wake of the financial crisis, China's export market is starting to suffer. China's manufacturing contracted the most last month and stories about SMEs closing down are accumulating. With the recent milk powder scandal[4] the "Made in China"-label experienced a further blow. Although China's diary exports are small, the country is one of the world's largest exporters of food and food ingredients and corresponding companies are affected by global recalls of goods.

Beijing's efforts to support domestic exporters could renew international attention and calls for protection against Chinese imports. Analysts say the government might soon shift the country's currency policy toward slowing the yuan's appreciation against a basket of currencies. This would allow the yuan to weaken slightly against the dollar. After having appreciated 7.3% against the dollar since the beginning of this year, further appreciation stalled since mid-July.[5]

Inflation fell to 4.6% in September, down from a 12-year high of 8.7% in February. This change is attributed mainly to slower growth in food prices. Bad weather at the beginning of this year had caused food prices to go up and therefore the Chinese government had faced an inflationary problem. The government had introduced price controls and subsidies aiming at expanding farm production in order to combat inflation. However, the price of pork remains high. **Despite the fall in consumer price inflation, inflationary pressure remains**. Producer price inflation rose by 6.9% year-on-year, or 3.7 percentage points higher than in the same period last year, increasing the possibility that producers might pass on higher prices to their customers. Still, due to high competition between producers this seems unlikely.

According to official figures, **consumer spending is still doing well** and retail sales of consumer goods went up 22.0% in the first three quarters, 6.1 percent-

1 National Bureau of Statistics of China: Steady and Fast Growth in the First Three Quarters of 2008, 20 October 2008.
2 Xinhua, 21 October 2008.
3 Financial Times, 13 October 2008.
4 Melamine, a chemical substance traditionally used to produce durable dishware, was used to make the protein content in foods appear adequate and has been added to mainland milk and milk-powder products.
5 "China's yuan may weaken against dollar, Standard Chartered says", Bloomberg, 23 October 2008.

Essential Economic Data

	2004	2005	2006	2007
GDP (RMB billion)*	16.028	18.869	22.117	24.662
GDP (USD billion)*	1.936	2.303	2.774	3.242
GDP per capita (RMB)	12.329	14.426	16.832	18.641
GDP per capita (USD)	1.489	1.761	2.111	2.450
GDP growth (%)**	10,1	10,4	11,1	11,4
CPI inflation (%)*	3,9	1,8	1,5	4,8
Population (billion)	1,300	1,308	1,314	1,323
Unemployment rate				
Level-registered (Millions)*****	8.3	8.4	N/A	N/A
Rate-registered in urban (%)*****	4.2	4.2	4.1	4.0
EIU estimates (average in %)**	9.9	9.0	9.5	9.5
Fiscal balance (% of GDP)**	-1.3	-1,2	-0,8	0,1
Current account balance (% of GDP)*	3,6	7,2	9,4	11,1
Total External Debt (% of GDP)***	12.8	12,2	11,4	11
Debt-service ratio (% of exports)****	3.4	3,1	2,3	N/A
Reserves, incl. Gold (USD billion)**** in months of imports	12	13	16,7	17,6

*Sources: * IMF World Economic Outlook, April 2008 / ** EIU, Country Report, March 2008 / *** EIU, China Hand, January 2008 / **** Worldbank 2007 / ***** National Bureau of Statistics of China*

age points higher than in the same period last year.[6] Although sales of cars and home-appliances drop sharply, overall retail sales have remained strong particularly because of a **strong increase in rural spending**.

China's stock market – one of the best-performing markets in the world in 2006 and for most of 2007 – **has fallen by over 60% since its peak in October 2007.**[7] This fall has come although the government told fund managers not to sell equities and start buying again. Other moves to support the equities market include the abolishment of a stamp duty tax on share purchases by the government and the temporary suspension of trading fees for bond transactions at the Shanghai Stock Exchange.[8]

Moreover, **China is beginning to suffer from its property market downturn**. Although housing prices are still 5.3% higher in year-on-year terms, this is the slowest rate of increase in 18 months. In a move to support the property market the government announced a series of measures including a reduction in down payment requirements, a cut in interest rates on mortgages for first time buyers, a cut in stamp duty and the capital gains tax on property sales. Further, the government will encourage construction of low-rental housing and boost subsidies for lower-income households.[9] However, experts expect that the government will have to introduce further measures in the future as many home buyers are unwilling to purchase new homes until market prices fall to an affordable level.

Falling inflation and a worsening global outlook have led to an easing of monetary policy. The People's Bank of China (PBoC, China's central bank) has cut interest rates three times since September.[10] Over a period of three years, the Chinese government had tightened monetary policy and the PBoC had kept interest rates on hold since December 2007. The move came when a number of China's big industrial companies reported lower third quarter results and announced production cuts. According to the PBoC, the decision to cut interest rates is part of a **flexible monetary policy to cope with the world financial crisis and to boost the domestic economy**. The PBoC had already cut the reserve requirement ratio by 0.5 percentage points lowering the ratio for the six biggest banks to 17% and that for smaller banks to 16% in October.[11] In a further effort to support the domestic economy and pump liquidity into the market, the PBoC decided at the beginning of November to stop capping the amount of loans that commercial banks can make. Strict limits on the amount of new loans were set in late 2007 in order to avoid an overheating of China's economy.[12]

6 National Bureau of Statistics of China: Steady and Fast Growth in the First Three Quarters of 2008, 20 October 2008.
7 UBS Asian Economic Monitor, 3 November 2008.
8 EIU Country Report, November 2008.
9 "China cuts deposit payments, mortgage rates on homes", Bloomberg, 22 October 2008.
10 As or October 30, the benchmark one-year deposit rate dropped to 3.6% from 3.87% and the benchmark one-year lending rate fell from 6.93% to 6.66%.
11 People's Bank of China, 8 October 2008 (http://www.pbc.gov.cn/english//detail.asp?col=6400&ID=1172).
12 Wall Street Journal, 3 November 2008.


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China: Structure of the Economy

	2001	2002	2003	2004	2005*	2006	2007
Distribution of GDP (%)							
Primary Sector	15,8%	15,3%	14,4%	15,2%	12,4%	11,7%	11,7%
Secondary Sector	50,1%	50,4%	52,2%	52,9%	47,3%	48,9%	49,2%
Tertiary Sector	34,1%	34,3%	33,4%	31,9%	40,3%	39,4%	39,1%
Distribution of Labor (%)							
Primary Sector	50,0%	50,0%	49,1%	47,0%	44,8%	42,6%	n/a
Secondary Sector	22,3%	21,4%	21,6%	22,5%	23,8%	25,2%	n/a
Tertiary Sector	27,7%	28,6%	29,3%	30,5%	31,4%	32,2%	n/a
(of which state sector)	10,5%	9,7%	9,2%	8,9%	11,2%	n/a	n/a

Sources: National Bureau of Statistics of China

While for much of the past year, **China had stayed nearly unaffected to the problems in the international credit markets there had been growing signs in recent weeks that the economy might fall more sharply than expected**.

Although China's direct exposure to the financial turmoil in the U.S. and Europe is limited as financial linkages are relatively weak some Chinese banks hold equities issued by financial institutions which have gone bankrupt.[13] With its US$ 1.9 trillion foreign exchange reserves the country is seen as a source of stability and is well positioned to expand its influence. At this year's ASEM meeting taking place in October in Beijing, China agreed to actively cooperate with the EU. Nevertheless, the Chinese government sees its principal contribution in resolving the crisis by sustaining high growth and likely doesn't want any international institutions to interfere into its financial market.

Many economists are expecting lower levels of growth of between 6 to 8% next year as the country's major export markets are facing an ever-worsening outlook. Due to the weakness in the country's property, automotive and export-oriented manufacturing sectors investment growth is expected to fall further. However, the government has means to support domestic demand by enhancing fiscal spending and adopting economic policy changes.

International and regional economic agreements

Country's policy and priorities

China as a member of the World Trade Organisation (WTO)

Since China's accession to the WTO in 2001, the country has implemented almost all of its WTO commitments and has made significant progress in many areas. Foreign companies have continued to profit from reduced tariffs, the elimination of import licences and quotas, the opening of more sectors for foreign participation (especially services sectors), and the easing of restrictions on business operations. Nevertheless, concerns relating to market access remain, but they are now focused on China's laws, policies, and practices that deviate from the WTO's national treatment principle, the insufficient protection of intellectual property rights, the deficient transparency of legal and regulatory processes, and the opaque development of technical and product standards that may favour local companies. There have been various trade disputes in 2007 – for example by the US or the EU – but this has not led to major conflicts. Most of the trade disputes that have occurred in the last six years, have had more to do with market access for investment rather than for importing goods into China or for issues only indirectly related with trade such as the use of subsidies and the production of counterfeited goods. China's trading partners are concerned about the creation of non-tariff barriers and China's resistance to properly cope with prevalent intellectual property piracy, counterfeiting, and the prohibited subsidies. China further creates various new measures to prevent foreign companies from entering the Chinese market such as new requirements for state control of "critical" equipment manufacturers or restrictions on foreign providers of financial information services.[14]

Under its WTO accession commitment, China has started opening up its banking industry to foreign competition in December 2006. Having progressively relaxed restrictions over the past five years, China allows foreign banks **access to its RMB retail business and lifts all geographic and client constraints** on their operations, eliminating any existing non-prudential measures restricting ownership, operations, internal branching and licenses.[15] The revised Regulation on the Administration of Foreign-funded Financial Institutions by the State Council also allows

13 EIU Country Report, November 2008.
14 Economic Intelligence Unit, China Hand, February 2008.
15 Special Comment on „China's Banking Sector Opening Under WTO Commitments", Moody's Investors Services – Global Credit Research, November 2006.

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subsidiaries of foreign banks to offer foreign exchange and RMB services to all customers, meaning both corporate and retail customers just as domestic banks, and also permits **branches of foreign banks** to continue doing foreign exchange business with all customers and RMB business with foreign and Chinese enterprises as they did before.[16] Another obstacle for foreign banks will be the licensing and approval process for individual business lines and branch networks. So far, 21 foreign banks – none of them Swiss – have been allowed to incorporate their Chinese branches into subsidiaries.

So far, China has leant towards being an **advocate of free-trade** within the WTO, demonstrating a strong engagement in issues typically affecting emerging markets – also in the context of its involvement with the Group of 20 developing countries (G 20) led by Brazil – such as the liberalisation of agricultural markets. China wants to give the image of an active WTO-member but has so far been criticized for not engaging hard enough to find a compromise on Doha.

Following the **suspension of the Doha round talks** in July 2008, China expects first the US and then the EU to take major steps to unlock negotiations, thus opening the door to G20 and G33 concessions. While China keeps engaging in multilateral trade discussions and protecting its interests within the WTO it has also started bilateral trade deals and free-trade agreements (FTAs) with strategic partners. As China has become a dominant trading nation, the government sees bilateral accords as a useful tool for pursuing the country's strategic interest.

China-ASEAN Free Trade Agreement (CAFTA)

After its successful accession to the WTO, China turned itself to ensuring the conclusion of regional free trade agreements. In November 2001, China and ASEAN began negotiations to set up a free trade agreement. One year later, a framework agreement laying out the CAFTA plan was signed. The CAFTA, a zero-tariff market has targeted to come into force in 2010 for the six original ASEAN members (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) and in 2015 for the newer and less developed members (Cambodia, Laos, Myanmar, Vietnam). The framework agreement states the objectives of the group with China and **aims to lower bilateral tariffs to 0–5% on most goods and eliminate non-tariffs barriers**. However, it doesn't detail the FTA's institutional set-up, relying on future consultations. The negotiations ended in October 2004 and the partners signed several trade pacts a month later at the ASEAN-meeting in Vientiane, Laos. The tariff reduction programme was launched in July 2005, the start of a comprehensive implementation of CAFTA.

While China continuously tries to convince the ASEAN countries of the mutual benefits of closer trade relations, the latter feel **growing concern at perceiving the suction-effect** that the industrial site that China is, has on attracting foreign direct investment. Meanwhile, Japan and the USA also see their position as regional economic super-powers challenged and consequently put an effort to reach a free-trade agreement with the ASEAN-countries themselves.

It follows from China's tightening ties with ASEAN that the country would **press further regionalism**. China has supported the transformation of ASEAN+3 (China, South Korea and Japan) into the East Asian Summit (EAS), which has welcomed Australia, New Zealand and India to the group during its inaugural meeting on 14 December 2005 in Malaysia.

Substantive progress has been made between the ASEAN members and China in the negotiations on the **Bilateral Investment Pact** which is expected to be signed at the Bangkok Summit in December 2008. The investment pact is one of the three components of the bilateral free trade agreement. The other two are the **Trade in Goods Agreement** and the **Trade in Services Agreements** which were concluded in 2004 and 2006 respectively. China and ASEAN members also finalized two Memoranda of Understanding (MOU), one on cooperation on intellectual property and one on technical barriers to trade. At the same time the leaders of the ten ASEAN member countries affirmed their strong commitment to **accelerate the establishment of a FTA with China by 2015**.

Other international free trade negotiations

- China and Chile signed a FTA at the APEC-Summit in Busan, South Korea, in November 2005 (only a year after negotiations started) which has come into effect on 1 October 2006 and will eventually lift customs fees on the trade of 97% of all trade goods. Bilateral talks on a FTA in services started in January 2007, the sixth round of talks took place in March 2008 and negotiations are expected to finish in 2008. On 13 April 2008, China and Chile signed an agreement on free trade in services. The two nations committed themselves to opening up their service sectors in accordance with World Trade Organization rules, under a supplementary agreement to their formal free-trade pact signed in 2005. The service free-trade covers 23 sectors in China, including computers, management consulting, mining, sports, environment and air transport, the official Xinhua news agency reported.

16 China Banking Regulatory Commission Chairman Liu Mingkang's speech about the newly revised Regulation on the Administration of Foreign-funded Financial Institutions by the State Council, 15 November 2006.

- After 15 rounds of negotiations, China and **New Zealand** signed a free trade agreement on 7 April 2008. This is the **first FTA China signed with a developed country**. Talks on the agreement had started in 2004 after New Zealand became the first rich country accepting China as a market economy. Under the FTA, New Zealand will phase out all tariffs on imports from China (textiles, clothing and footwear) until 2016. China will remove tariffs on 96% of its imports from New Zealand until 2019 with tariffs on some products (especially diary products, meat, wool, etc.) being cut to zero. **Beyond trade in goods, the agreement covers the services sector**, from insurance and banking to education and labour supply as well as investment. The FTA came into force on 1 October, 2008.
- Comprehensive China – **Australia** FTA-negotiations were launched in April 2005, but due to substantial stumbling blocks, namely in agriculture and industrial goods, are making relatively slow progress. During the tenth round of negotiations, taking place at the end of October 2008, the parties were able to reduce some difference meanwhile overall progress in the negotiations continued to be slow.
- After five rounds of negotiations since April 2005, China and **Pakistan** have agreed on market access and signed a FTA on 24 November 2006. Under the agreement China and Pakistan will reduce or eliminate tariffs on all products in two phases, the first phase began on 1 July 2007. In the first five years both sides will cut tariffs on imports in five categories up to 85 percent. The second round of talks on the "services" chapter was held in August 2007.
- In May 2007 China and **Peru** launched a first joint feasibility study in Beijing with the aim to conclude the study within three months. In January 2008 a first round of talks took place. Both sides decided to boost bilateral trade and investment in the coming months, ahead of the free trade deal planned to ink in November during the annual Asian-Pacific Economic Cooperation (APEC) forum.
- China and **Switzerland** decided in July 2007 to look on both sides into the feasibility of a possible FTA.
- China and **South Korea** conducted two rounds of joint research in 2005 and 2006 which will form the basis for exploring the possibility of initiating FTA negotiations. The last round of talks on a joint study of an FTA took place in October 2007.
- China has also started negotiations on a bilateral FTA with the **Gulf Cooperation Council** (GCC) and plans to follow suit with **MERCOSUR**, and the **Southern African Customs Union** (SACU).
- **Hong Kong** expanded a free-trade deal with mainland China on 29 July 2008 in an agreement that includes giving mining and exploration companies and related services easier access to the Chinese market.
- **India** and China have completed a feasibility study on their proposed Free Trade Agreement. It now awaits the approval of the leadership of the two countries to take it to the next level so that steps to conclude the Free Trade Agreement can be taken at the earliest, Xinhua stated on 11 October.
- China signed on 17 October 2008 a trade deal with **Senegal** to offer zero-tariff treatment to more than 400 categories of goods imported from Senegal. It is expected, that the trade deal will elevate their bilateral trade and economic ties to a new stage.
- China and **Singapore** signed a bilateral free trade agreement (FTA) on 23 October 2008. Negotiations for the China-Singapore FTA began in October 2006. The FTA covers trade in goods, rules of origin, trade remedies, trade in services, movement of natural persons, investment, customs procedures, technical barriers to trade, sanitary and phytosanitary measures and economic cooperation.

Outlook for Switzerland (potential for discrimination)

In the bilateral agreement to China's WTO-accession of 26 September 2000, the People's Republic had agreed to make certain concessions towards Switzerland in the fields of insurance licences, inspection services and the import of watches. In the beginning, these privileges have only partly been taken advantage of. Economic difficulties of companies' headquarters in Switzerland have played a role in this, as well as in determining whether to reduce temporarily or give up completely the work in the Chinese market. On the other hand, **some sectors have benefited from such easing of market entry rules**: for example, representing the reinsurance sector, Swiss Re officially opened the company's China branch in December 2003. In May 2006 Zurich Financial Services Group received approval to run a property and casualty branch in Beijing, thus becoming the first foreign insurer to establish a general insurance branch in the capital. Swiss financial intermediaries have also strengthened their foothold in mainland China while Hong Kong remains the leading financial centre. At the beginning Swiss watch imports have profited from reduced tariffs. However, the sudden introduction of a 20% consumption tax on luxury watches as of 1 April 2006 has had a certain negative impact on mainland sales figures. This tax affects watches with a value of RMB 10'000 (approx. CHF 1'600) or more, of which 99% are Swiss made.

In July 2005 Switzerland and the other three members of the European Free Trade Association (EFTA) proposed China to consider a feasibility study about an FTA. In subsequent meetings the Chinese side stated that the idea of an **EFTA-China FTA "should be considered very seriously"** but that it faced serious resource-constraints due to the Doha Round and an increasing number of bilateral free trade negotiations. Although China reconfirmed in December 2006 to be basically willing to conclude an FTA with all EFTA members, it doesn't seem to want negotiations with the EFTA as a group. Recent developments in Chinese economic relations with Iceland and Norway demonstrate that China now seems to prefer bilateral FTA with the EFTA-members.

Iceland has become the first European country to launch a FTA feasibility-study with China. After Iceland recognized China's full market economy status, which is a prerequisite for any FTA-negotiation with China, the study started in May 2005 and was concluded in July 2006. Negotiations concerning the FTA started in April 2007, a fourth round of negotiations took place in April 2008. In **March 2007 Norway also announced to recognize China as a full market economy**. The FTA feasibility-study has been completed and negotiations were launched this September.

As both the position of China as an economic partner for Switzerland and the number of FTA between China and other industrial countries will increase, the potential for discrimination will follow the same path unless progress is made in the Doha Round or Switzerland-China FTA plans materialize. On the occasion of the official visit of **Federal Councillor Leuthard to China in July 2007 a joint declaration on economic cooperation** was signed. The declaration shall strengthen the bilateral relations on trade, investment and intellectual property rights. Further Switzerland has **recognised China as a market economy**. Both sides agreed to conduct **internal feasibility studies towards a possible Free Trade Agreement**. These studies will investigate if the conditions for an FTA are given. **Two Memoranda of Understanding** (MoU), one on **Investment Promotion** and one on **Intellectual Property**, were concluded during the 17th meeting of the Sino-Swiss Joint Commission taking place at the end of May 2007. The implementation of these two MoUs is a first step to the fulfilment of the Joint Declaration. The second meeting of the working group on intellectual property rights will take place end of November, 2008.

Foreign trade

Development and general outlook

Trade in goods

Despite the economic downturn in China's most important export markets the country's export growth remained impressive. In the first nine months of this year **China's trade surplus reached US$ 181.0 billion**, a decline of US$ 4.7 billion over the same period last year. However, exports are expected to slow significantly in the coming quarter.[17]

17 National Bureau of Statistics of China: Steady and Fast Growth in the First Three Quarters of 2008, 20 October 2008.

Trading partners of the People's Republic of China

Exports to Country/Region Jan – July 2008	Billion USD	Share %	Growth in % to a comparable previous period
USA	140,4	17,5	9,9
Hong Kong	108,4	13,5	9,2
Japan	65,5	8,2	15,9
South Korea	43,1	5,4	39,4
Germany	32,4	4,1	27,2
Netherlands	25,9	3,2	23,2
United Kingdom	19,8	2,5	18,7
India	18,5	2,3	49,0
Singapore	18,8	2,3	9,4
Russia	17,4	2,2	28,5
EU	165,0	20,6	27,1
ASEAN	66,2	8,3	29,3
EFTA	3,9	0,5	37,3
Iceland	0,053	0,01	-4,9
Liechtenstein	0,006	0,00	-19,2
Norway	1,432	0,18	19,3
Switzerland	2,396	0,30	23,1
Total	**800,3**		**22,6**

Trading partners of the People's Republic of China

Imports from Country/Region Jan – July 2008	Billion USD	Share %	Growth in % to a comparable previous period
Japan	89,5	13,2	21,6
South Korea	68,2	10,0	21,0
Taiwan	65,3	9,6	23,1
USA	48,7	7,2	23,8
Germany	32,6	4,8	33,3
Australia	21,2	3,1	49,4
Malaysia	19,1	2,8	26,2
Saudi Arabia	17,9	2,6	101,5
Brazil	16,4	2,4	74,3
India	15,0	2,2	86,7
EU	78,1	11,5	29,8
ASEAN	72,1	10,6	22,7
EFTA	5,5	0,8	35,2
Iceland	0,02	0,00	-7,7
Liechtenstein	0,02	0,00	41,6
Norway	1,22	0,18	25,5
Switzerland	4,25	0,63	41,9
Total	**679,2**		**31,1**

Source: Ministry of Commerce

From the period from January to July 2008 **China's most important export markets** were the EU (20.6% of total exports), the United States (17.5%), Hong Kong (13.5%) and the ASEAN-countries (8.3%). For the same period **China's most important import sources** were Japan (13.2% of total imports), the EU (11.5%), the ASEAN-countries (10.6%) and South Korea (10.0%).

For the same period, China's most important trading partners were the EU (16.4% of total trade), the United States (12.8%) and Japan (10.5%).

According to Chinese statistics, exports to Switzerland grew by 23.1% (US$ 2.4 billion) from January to July while imports from Switzerland grew by 42% (US$ 4.25 billion).

Recently, news about thousands of SMEs closing down in Guangdong have become more frequent. Though, so far overall exports have not been falling and there's no significant decline in employment in Guangdong.[18] Also, the General Administration of Customs announced in October that more than one half of the total of toy-exporters operating at the beginning of the year had closed by the end of July. Because most of the large producers stayed in business, total toy exports from January to July were 1.3% higher than in the same period last year. Although Chinese officials emphasize that the manufacturing sector should move up the value chain, they are worried about the massive restructuring in such a short time.[19]

Bilateral trade

Trade in goods[20]

In the first nine months of this year **Swiss exports to China** (according to Swiss customs data) **grew by 20.37% to CHF 4.66 billion**. In the same period imports went up by only 3.94% (CHF 3.72 billion) resulting in a trade surplus of CHF 931.97 million for Switzerland. For the same period in 2007, exports were growing at a rate of 30.12% and imports at a rate of 22.18%. The decline in imports is mainly due to a decline in the import of energy carriers and precious metals, as China has introduced stricter rules for the export of these products. Combining the trade data of mainland China and Hong Kong, Switzerland reached a trade surplus of CHF 4.27 billion compared to a trade surplus of CHF 3.35 billion for the same period in 2007. In the first three quarters total trade (mainland China and Hong Kong) amounted to CHF 14 billion, a year-on-year growth of 15.22%.

The most important imports of goods out of China are machinery, apparatus and electronics (Jan. – Sept. 2008 share of imports: 25.4%), textiles, apparel and shoes (18.04%), chemicals and pharmaceuticals (14.13%) and precision instruments, watches and jewellery (13.8%). Exports are dominated by machinery, apparatus and electronics (Jan. – Sept. 2008 share of exports: 38.11%), precision instruments, watches and jewellery (20.11%) and chemicals and pharmaceuticals (19.05%).

In the first three quarters of 2008 Swiss exports to China saw a CHF 182.8 million (growth compared to the same period last year: 11.48%) increase for machinery, apparatus and electronics, a CHF 290.0 million increase for precision instruments, watches and jewellery (44.85%) and a CHF 226.2 million increase for chemicals and pharmaceuticals (34.22%). The most important import goods from China, machinery, apparatus and electronics increased by CHF 72.9 million (8.33%) while imports of textiles, apparels and shoes experienced an increase of CHF 10.8 million (1.63%).

China is a priority country in the framework of Swiss exports promotion and, as can be seen by the areas which experienced strong increases in exports so far in 2008 (machinery, precision instruments, watches and jewellery, chemicals and pharmaceuticals) **Switzerland has a great comparative advantage in sectors which matter to Chinese importers**. One example is the constant and increasing demand for advanced technology and production equipment linked to the progress of China's manufacturing sector and its development of infrastructure across the country. This sector offers and will continue to offer excellent prospects to Swiss producers of machinery and manufacturing instruments, also bearing in mind that the business-cycle has peaked in some areas.

The shift of life-style and consequently of consumer behaviour among wealthier urban citizens to a more westernised consumption pattern has created an **increasing demand for established and high quality brands and luxury items** – from packaged foods to branded clothes to luxury watches. On the one hand, this is an excellent prospect for Swiss brands and goods to tap in a booming market; on the other, **forging and pirating reduces the potential of this market** and bites into profits of various industries. The opening up of the domestic retail banking market to foreign invested financial institutions in December 2006 (the end of the 5 year WTO-rules implementation timetable, cf. chapter 2.1), creates more opportunities for Swiss financial services. Reliable figures on bilateral exchange in the service industries are still unavailable.

Swiss companies often mention that the Chinese market is important and growing and becoming more and more attractive as there are improvements in the business environment (in particular for services, for which the market is still opening). However, the Chinese market remains challenging for foreign companies: the climate is extremely competitive, there are still many restrictions, the regulatory environment is complicated and, for the future, costs are

18 UBS Investment Research, 15 October 2008.

19 EIU Country Report, November 2008.

20 The figures discussed in this section can be found on the opposite page.

Bilateral trade Switzerland – P.R. China, Jan – Sept 2007/2008

	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan – Sept 2007	Jan – Sept 2008	in %	share (%)	Jan – Sept 2007	Jan – Sept 2008	in %	share (%)	in CHF
1	Agricultural products	82.839.220	94.886.763	14,54	2,55	15.643.609	17.868.458	14,22	0,38	-77.018.305
2	Energy carriers	407.821	58.632	-85,62	0,00	1.061.942	1.225.924	15,44	0,03	1.167.292
3	Textiles, apparel, shoes	661.314.011	672.070.381	1,63	18,04	102.728.225	143.008.752	39,21	3,07	-529.061.629
4	Paper, paper products, printed matter	23.970.475	26.818.270	11,88	0,72	19.185.246	26.285.418	37,01	0,56	-532.852
5	Leather, rubber, plastics	214.176.551	193.755.997	-9,53	5,20	67.729.907	76.434.433	12,85	1,64	-117.321.564
6	Chemicals, pharmaceuticals	451.202.076	526.097.609	16,60	14,13	660.865.232	887.032.585	34,22	19,05	360.934.976
7	Construction materials, ceramics, glass	54.697.071	54.268.414	-0,78	1,46	16.211.203	16.056.371	-0,96	0,34	-38.212.043
8	Metals and metal products	272.298.652	277.922.737	2,07	7,46	177.672.374	201.042.488	13,15	4,32	-76.880.249
9	Machinery, apparatus, electronics	874.538.470	947.394.978	8,33	25,44	1.591.673.494	1.774.435.474	11,48	38,11	827.040.496
10	Vehicles	57.792.403	64.425.004	11,48	1,73	24.047.546	21.555.860	-10,36	0,46	-42.869.144
11	Precision instruments, watches, jewellery	534.470.831	513.518.753	-3,92	13,79	646.624.299	936.634.974	44,85	20,11	423.116.221
12	Furniture, toys	344.407.599	340.003.004	-1,28	9,13	24.376.235	28.116.744	15,34	0,60	-311.886.260
13	Precious metal, precious stones, gemstones	6.528.201	3.377.806	-48,26	0,09	518.986.134	520.447.517	0,28	11,18	517.069.711
14	Objects of art and antiques	4.579.259	9.974.295	117,81	0,27	1.649.923	6.396.106	287,66	0,14	-3.578.189
	Total	**3.583.222.640**	**3.724.572.643**	**3,94**	**100,00**	**3.868.455.369**	**4.656.541.104**	**20,37**	**100,00**	**931.968.461**

Bilateral trade Switzerland – Hongkong, Jan – Sept 2007/2008

	Class of goods	Import in CHF		Δ	Import	Export in CHF		Δ	Export	Trade balance
		Jan – Sept 2007	Jan – Sept 2008	in %	share (%)	Jan – Sept 2007	Jan – Sept 2008	in %	share (%)	in CHF
1	Agricultural products	1.228.960	768.370	-37,48	0,07	36.074.213	51.665.956	43,22	1,15	50.897.586
2	Energy carriers					54.727	97.860	78,81	0,00	97.860
3	Textiles, apparel, shoes	53.150.525	53.489.191	0,64	4,69	110.614.961	113.612.264	2,71	2,54	60.123.073
4	Paper, paper products, printed matter	2.153.538	2.343.358	8,81	0,21	11.201.152	11.428.484	2,03	0,26	9.085.126
5	Leather, rubber, plastics	6.539.647	6.761.312	3,39	0,59	43.457.443	48.988.867	12,73	1,09	42.227.555
6	Chemicals, pharmaceuticals	9.345.990	5.446.786	-41,72	0,48	308.134.022	336.884.725	9,33	7,52	331.437.939
7	Construction materials, ceramics, glass	2.897.156	1.658.969	-42,74	0,15	11.254.268	9.628.701	-14,44	0,21	7.969.732
8	Metals and metal products	8.565.698	8.150.736	-4,84	0,71	42.036.256	43.153.488	2,66	0,96	35.002.752
9	Machinery, apparatus, electronics	98.283.836	102.949.989	4,75	9,02	308.801.466	288.458.717	-6,59	6,44	185.508.728
10	Vehicles	712.386	2.128.437	198,78	0,19	1.443.923	2.696.821	86,77	0,06	568.384
11	Precision instruments, watches, jewellery	399.904.218	601.401.347	50,39	52,68	2.060.764.606	2.518.236.404	22,20	56,21	1.916.835.057
12	Furniture, toys	5.891.956	7.294.611	23,81	0,64	27.799.563	23.783.221	-14,45	0,53	16.488.610
13	Precious metal, precious stones, gemstones	221.975.245	335.213.835	51,01	29,36	905.937.212	987.097.201	8,69	22,04	651.883.366
14	Objects of art and antiques	8.081.115	14.038.992	73,73	1,23	14.630.779	43.933.397	200,28	0,98	29.894.405
	Total	**818.730.270**	**1.141.645.933**	**39,44**	**100,00**	**3.882.204.591**	**4.479.666.106**	**15,39**	**100,00**	**3.338.020.173**

Bilateral trade Switzerland – P.R. China incl. Hongkong, Jan – Sept 2007/2008

	Total	**4.401.952.910**	**4.866.218.576**	**10,55**		**7.750.659.960**	**9.136.207.210**	**17,88**		**4.269.988.634**

Source: Schweizer Oberzolldirektion, Swiss Impex increasing. There were also a few complaints from SME that their **problems are not being taken seriously** by the Chinese authorities, in particular in IPR-protection. Further, many companies see the **East and South-East Asian region as an important market for goods produced in China** with significant potential especially if China eases the logistics channels for export.

Direct investments

Development and general outlook

The Chinese Government puts a lot of effort at every level and is very successful in attracting foreign investment. In many fields, it was only following the WTO-accession that foreign investors were allowed to carry out direct investments, in particular in the sector of financial services. **Foreigners are still excluded or confined to a minority participation in particularly sensitive or strategic sectors** of the economy. The withdrawal of capital and profits from China is possible, but barriers remain and make the process complex and tedious for businesses.

On 9 November 2006, China's **11th five-year programme (2006–2011) for utilizing foreign investment** was published. As one of the most top-ranking foreign direct investment (FDI) recipients, China has decided to shift its policy of attracting foreign business from "quantity" to "quality" and to push its industry up the value chain. Also, foreign-invested companies will no longer enjoy preferential policies in the coming years regulated in the new corporate income tax law where corporate tax-regimes have been unified. These measures address a certain fear of "emerging monopolies by foreign businesses in certain industries which are posing a potential threat to China's economic security", as reported by the State media. Members of the foreign business community recently expressed their concern about the **implications of raising "economic nationalism"** and measures laid down in the Government's FDI-strategy: development of local markets and independent innovation aimed at reducing reliance on external demand, technology and capital in the long run.

Due to the underdeveloped state of Chinese stock markets and because the national currency isn't fully convertible, **foreign investment is 90% direct investment**, and very often greenfield-investment. This system constrains foreign investors but leaves China less vulnerable to attacks on international financial markets as it makes capital withdrawals from direct investments more difficult to arrange. The acquisition of state owned enterprises (SOEs) by foreign investors was made possible under certain conditions in the spring of 2004. The goal is to create an actual market for mergers and acquisitions (M&A). However, as a recent OECD-project on cross-border mergers and acquisitions, co-financed by Seco, has shown, "the regulatory framework for cross-border M&A remains fragmentary, overcomplex and incomplete".[21] **Amended foreign Mergers & Acquisitions (M&A)-regulations have entered into force on 8 September 2006**. Although the foreign business community has welcomed the new regulations as they somewhat clarify the complex regulatory environment, concerns have been raised about the use authorities will make of their new competences: Acquisitions of a target company in a key industry, acquisitions which might affect national economic security or acquisitions which involve a change of control of a famous trademark or established Chinese brand must be reported to the Ministry of Commerce. Failing with this requirement could entail termination or reversal of the deal. Future acquisitions may well be subject to much tighter control and further scrutiny by the Chinese Government. A lack of clarity on terms such as "key industry" and "national economic security" has reinforced those fears. However, some commentators do not agree with the general view that we are witnessing a "backlash" but claim that nationally sensitive sectors such as defense and media as well as large state owned enterprises have always been off-limits to foreign investors. As China opens up new avenues for privatization and M&A involving big state companies **certain prudence by Chinese authorities only seems normal** to those observers.

The loosening of legal regulations and the awareness that various joint ventures (JV) have experienced difficulties with their Chinese partners has influenced more and more foreign investors to tend towards establishing wholly foreign owned enterprises (WFOE). The transformation of an existing JV into a WFOE is time and again attempted, but is in general constrained by considerable administrative and high (compensation) costs. After measures to administrate international investment in the area of trade and changes to the laws on foreign trade came into force on 1 June and 1 July 2004 respectively, **foreign investors have been authorized to set up and run WFOE in the areas of distribution, retail trade and wholesale since 11 December 2004**.[22]

Although the Government acknowledges the crucial importance of the private sector for the further devel-

21 China: Open policies towards mergers and acquisitions, OECD Investment Policy Reviews, Paris, 2006.

22 Cf. Administrative method for foreign investment in the commercial sector of the PRC: http://www.prorenata.com/consulting_services/investment/en_foreign_investment_areareg.pdf

opment of the Chinese economy, in particular in creating employment, **private businesses, with or without foreign participation, still feel put to a disadvantage compared to SOEs**. Instead of having freedom of trade, it is still standard practice in China that any business activity remains unauthorized until it is explicitly and officially approved of. Thus many firms practice their activities in a legal grey area intentionally brought about or at least tolerated by the local authorities, but this understanding can be ended at any time.

From Jan. to Sep. 2008, **foreign businesses invested US$ 74'373 million in China, up 39.85% from the previous year**. The number of foreign projects approved by the Chinese authorities decreased 26.25% to 20'801 (28'206 in 2007).

Since the beginning of the policy reforms, over 400'000 businesses with foreign participation have established themselves in China. Over 23 million Chinese representing about 10% of the urban labourforce work in businesses with a foreign participation.

China's industrialisation is mainly fuelled by foreign businesses' investments, in particular out of Hong Kong and the ASEAN region. 44.45% of FDI came from Hong Kong during the period from Jan. to Sep. 2008, making it by far the most important national origin (US$ 33'061 million). A considerable proportion of the investments from Hong Kong come from businesses that left China in the first place for tax purposes and now reinvest to the mainland. The same cycle occurs with the Virgin Islands (the second most important national origin of investment with 18.27% from Jan. to Sep. 2008). **During Jan. to Sep. 2008 Singapore, Japan and South Korea were the next largest foreign investors (4.51%, 3.92% and 3.32% respectively), whereas FDI from South Korea decreased 17.09%. During the same period, Switzerland's share of new FDI in China amounted to US$ 220 (US$ 299 million in 2007)**.

China: Foreign Direct Investment

Rank	Country/Region	FDI (mio. USD) 2007	Share (%) 2007	Variation (%) year on year
1	Hong Kong	27.703	37,05	30,02
2	Virgin Islands	16.552	22,14	41,75
3	South Korea	3.678	4,92	-7,89
4	Japan	3.589	4,80	-24,59
5	Singapore	3.185	4,26	29,30
6	USA	2.616	3,50	-12,79
7	Cayman Islands	2.571	3,44	20,59
8	West Samoa	2.170	2,90	33,96
9	Taiwan	1.774	2,37	-20,43
10	Mauritius	1.333	1,78	20,53
	EU-25	3.838	5,13	-29,43
	EFTA	339,8	0,45	60,06
	Iceland	6,0	0,01	172,73
	Liechtenstein	0,8	0,00	166,67
	Norway	34,0	0,05	157,58
	Switzerland	299,0	0,40	52,09
	Total	**74.768**	**100,00**	**13,59**

Rank	Country/ Region	FDI (mio. USD) Jan to Sept 2008	Share (%) Jan to Sept 2008	Variation (%) year on year
1	Hong Kong	33.061	44,45	81,17
2	Virgin Islands	13.589	18,27	12,13
3	Singapore	3.351	4,51	37,97
4	Japan	2.916	3,92	5,70
5	South Korea	2.470	3,32	-17,09
6	Cayman Islands	2.463	3,31	40,06
7	West Samoa	2.343	3,15	46,25
8	USA	2.214	2,98	8,58
9	Taiwan	1.455	1,96	7,25
10	Mauritius	1.196	1,61	23,80
	EU	3.784	5,09	27,50
	Switzerland	220	n/a	16,50

Source: Ministry of Commerce

Bilateral investment flows

At present, about 300 Swiss firms with over 700 branches are represented in China, employing around 55'000 people. Swiss direct investments in China in 2006 amounted CHF900 Mio.,[23] making Switzerland one of the most important national origins of FDI. Following indications of the Ministry of Commerce (MofCom), China granted 82 (97 in 2007) projects with Swiss participation in 2008 (Jan.–Sep.) with an amount of US$220 Mio.

Switzerland has economic agreements with China regarding investment protection, mixed credits and avoidance of double taxation. The investment protection agreement between the two States is currently under ratification. **Representative data about the success rate of Swiss or other FDI does not exist** because the companies avoid disclosing such information. However, **around two thirds of Western companies active in China claim nowadays to be profitable**.

A large majority (over three quarters) of the companies that replied to the Seco-survey mentioned in section 3.2.1 are planning on expanding their business or currently doing so. Several specified that they have **completed the infrastructure investment** and now intend to **widen the scope of their business**.

23 http://www.snb.ch/de/mmr/reference/report_di_2006/source/report_di_2006.de.pdf

They see the market as growing and promising. The fast development of the service sector is seen as an opportunity for business to improve.

Trade, economic and tourism promotion "Country advertising"

Foreign economic promotion instruments

The Chinese leadership regulates all the country's economic activities to the detail and since the state remains the owner of whole areas of the industry, it is also one of the most important actors of the economy. **Regular contact with the authorities at every level is thus crucial for Swiss companies established in China**. Further, the official representations of Switzerland – the Embassy in Beijing, and the Consulates General in Shanghai, Guangzhou and Hong Kong – have to take on a particular role in the arrangement of such contacts.

Swiss Business Hub China (SBH China)

The SBH China is part of the worldwide "OSEC Business Network Switzerland" and has been operational since March 2002 at the Swiss Embassy in Beijing with a branch at the Consulate General in Shanghai and a branch at the Consulate General in Guangzhou. The specially trained consular and local SBH-staff offer much needed **services to Swiss SME in their endeavours of strengthening and developing their business relations with China** (services include: market and product analyses; search of distributors, representatives and import partners; individual consulting and coaching; reports on presentation and trade fairs).

Osec – Switzerland Trade and Investment Promotion

Following the growing importance of Sino-Swiss economic exchange, Switzerland Trade and Investment Promotion (the successor out of the merger between Location Switzerland and Osec), the Swiss Government agency responsible for supporting inward investors, has commissioned the consultancy firm Generis AG, Schaffhausen, to manage the promotion of Switzerland as a business location to potential Chinese investors. Switzerland Trade and Investment Promotion pursues business development activities in close consultation and collaboration with the diplomatic and consular missions in Beijing, Shanghai, Guangzhou and Hong Kong and has increased coordination with representatives of cantons active in China. The aim is to build on the firm Sino-Swiss relationships which have been established and **raise awareness of Switzerland as a first-class business location among Chinese business owners, entrepreneurs and investors**.

Swiss-Chinese Chamber of Commerce and SwissCham China

Swiss-Chinese Chamber of Commerce and Swiss-Cham China are private organisations of associations registered in Switzerland and China respectively. Among their members are the leading Swiss companies in the trade, industry and financial sectors. The network consists of about 800 companies and individual members. The Swiss-Chinese Chamber of Commerce was first set up in Zurich in 1980 and established a branch in Beijing in 1995. The latter obtained the status of an independent chamber of commerce according to Chinese law in 2001. As a result, two national organizations are operated today with three regional branches in Switzerland (Zurich, Geneva, Lugano) and three in China (Beijing, Shanghai and Guangzhou). **Their purpose is to promote and support the global success of the Swiss business community in China**. Simultaneously, they assist a growing number of China-based enterprises in their dealings with Swiss partner companies.

Of course there are also a number of experienced private consultants offering similar services.

Interest for Switzerland as a location for tourism, education and other services, potential for development

Presence Suisse

Swiss awareness in China is raised through a number of projects including cultural, artistic and architectural ones. The image that is being depicted by Presence Suisse is one of an innovating country placing values such as quality and well-being as key. **Switzerland enjoys a positive, although largely stereotypical image in China**. The goals of Presence Suisse are thus to bring further awareness and understanding of Switzerland to the population in China in order to create stronger relations while the country continues to gain importance in the global economy. During this summer's Olympic Games, Presence Suisse and its partners, Lucerne Tourism and Lake Lucerne Region established the "House of Switzerland" in Beijing's art district. During 24 days more than 120'000 visitors took the chance to visit this official guesthouse where Switzerland was presented to local and international guests. The next upcoming important event will be the 2010 World Expo in Shanghai. Besides this, Presence Suisse, in close cooperation with private and public institutions, is involved in several smaller projects positioning Switzerland as an innovative, internationally minded country with a high quality of life and environmental awareness.

Opening of inaugural flight at Zurich Airport (f.l.t.r.): Harry Hohmeister, Chief Network and Distribution Officer, LX – Dr. Christoph Franz, CEO, LX – Federal Councillor Doris Leuthard – Dr. Rolf Jetzer, Chairman of the Board, LX – Chinese Ambassador to Switzerland, DONG Jinyi.

Tourism

A consequence of the growing Chinese economy and the rise of (urban) incomes is the **booming tourism industry** for travel outside of China: More than 34.4 million Chinese travelled abroad in the first three quarters of 2008, up 14.8% to the same period last year.[24] Therefore China is a key future market for the Swiss tourism industry. Switzerland was granted **Approved Destination Status** (ADS) by the Chinese Government in 2004. Following the implementation of the policy, there was a noticeable increase in accepting visa applications. New checks and guidelines were at the same time put into place to reduce the risk of travellers remaining in Switzerland illegally.

From January to September 2008 95'539 visa were issued to Chinese citizens, a drop of about 6% compared to the same period in the previous year. **Switzerland's entry to the Schengen-Agreements is expected to be further beneficial:** Swiss Tourism anticipates over 316'000 Chinese overnights in Switzerland by the end of the year 2009[25]. Swiss Tourism was established in Beijing in 1998 and a second branch opened in Shanghai in August 2008. The launch of a direct air link between Zurich and Shanghai in May this year is expected to further boost Chinese outbound tourism to Switzerland.

Education

In 2002, the Swiss and the Chinese Governments renewed their "Memorandum of Understanding" for **educational exchanges**, and during her October 2006 visit to China, Swiss Foreign Minister Micheline Calmy-Rey signed another MoU, focussing on increased scientific cooperation. In April 2007 State Secretary Kleiber signed a joint statement which proposes a four years (2008–2011) Swiss-Chinese science cooperation strategy for education science and research. The strategy aims at strengthening the cooperation between Swiss and Chinese universities and fostering cooperation in the field of vocational education. Further, the feasibility of a general Memorandum without time limits will be examined. Currently, 18 Chinese and 18 Swiss students have the opportunity to study in the corresponding partner country with a full-time scholarship.

Though the (private) school sector has shown increasing interest in attracting Chinese students to its institutions, the overall number of student visa demands has gone down in recent years. This is partly due to the high costs, perceived limited benefit of studying abroad and bad publicity due to abuses which have taken place in some hotel and tourism management schools. In order to tackle these issues and to promote a positive image of Swiss colleges and universities in China, the Education Section of the Swiss Embassy participated for a second time at the China International Education Exposition in October 2008. As this proofed to be an effective way for direct contacts with the relevant media, participation at this exposition will very likely be pursued further.

In order to strengthen bilateral cooperation in the field of higher education, Swissnex, an initiative of the Swiss State Secretariat for Education and Research, the Ministry of Foreign Affairs and the Ministry of Home Affairs, officially **opened an office in Shanghai on 7 August 2008**. Swissnex Shanghai will fully exploit the potential of cooperation in the areas of research, technology, innovation and culture.

Interest for Switzerland as a location for investment, potential for development

Investment flows from China to Switzerland have so far been modest with Chinese capital investment mainly in trading companies and SME, notably in the service and hospitality industries. Switzerland's strengths as an investment location are promoted in China by Switzerland Trade and Investment Promotion (www.locationswitzerland.ch, also presented in Chinese, cf. section 5.1), the cantons and increasingly by the service sector. Switzerland Trade and Investment Promotion, who carries out systematic

SWISS's new non-stop Zurich–Shanghai service

Zurich – Shanghai

LX 188	13:05	06:35+	(daily)

Shanghai – Zurich

LX 189	09:15	15:40	(daily)

+ the following day

24 Xinhua, 23 October 2008.

25 Swiss Tourism Beijing (STB), 10 April 2008: There were 230'000 Chinese overnights in Switzerland at the end of the year 2007. STB estimates an increase of 10% and 25% by the end of 2008 and 2009 respectively.

market analysis and development has organised some high-level seminars, elaborated brochures, manuals and presentations, assists cantons in their own endeavours in the very demanding Chinese market. Switzerland is most actively advertised with emerging globalizing Chinese companies as a location for international headquarters and business control centres. Cooperation opportunities with the very innovative export-oriented Swiss economy are also highlighted. With a number of recent Chinese investments in different parts of Switzerland **the joint efforts of Switzerland Trade and Investment Promotion the cantons and the service sector have already generated results**. Main competitors in Europe include Belgium, France, Germany, the United Kingdom, the Netherlands and Sweden. Like in other Asian countries Switzerland is perceived as a premium location in the heart of Europe, but high living-costs and barriers for entry of Chinese workforce are on the flip-side.

Interest for Switzerland as a financial location, potential for development

Switzerland's reputation as a financial location – as far as there is such a perception among the general public – is generally positive, especially with the Chinese Government, the National Bank and the regulatory bodies of the financial sector. Bilateral financial consultations amongst relevant authorities started in 2005. The Swiss Banking Association initiated a constructive dialogue with Chinese financial authorities in 2006 on issues of mutual interest to Chinese and Swiss financial services industries. So far both, the President of the Governing Board of the Swiss National Bank and the Chairman of the Swiss Banking Association have met high-level financial authorities in Beijing. The leading Swiss banks, which have acquired minority participations in Chinese banks and insurance companies, regularly receive Chinese officials and financial sector professionals for trainings and know-how exchange.

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Economic Report Hong Kong 2008 Update

General overview of HK's economy: The economy of Hong Kong expanded by 5.8% in the first half of 2008, after growing by 6.3% in 2007. However, the global downturn triggered by the financial crisis has started to affect the Hong Kong economy. As a matter of fact, the economy grew moderately by 4.2% in the second quarter of 2008 whereas the first quarter recorded a robust 7.3% growth.

Domestic demand has slowed down after a long period of strong performance. Following a 7.8% growth in 2007, private consumption increased by 5.4% in real terms in the first half of 2008. Fixed investment grew by 4.2% in 2007 and also slowed down to a moderate growth of 1.8% in the first half of 2008.

The unemployment rate was 3.4% in July – September 2008, down from 4.8% in 2006 and 4.0% in 2007. Nevertheless, it is very likely to rise in the near term as some sectors such as retails, logistics and food & beverage sectors as well as many small and medium-sized enterprises (SMEs) are bound to be affected by a contraction in business triggered by the global financial crisis.

As for the external sector, growth of exports of goods and services slowed down to 6.2% and 8.7% respectively in real terms in the first half of 2008, after 7.0% and 12.5% respectively in 2007. The government forecast a GDP growth of 4–5% in real terms for 2008 in the latest forecast exercise in August 2008.

In the first nine months of 2008, visitor arrivals reached 21.7 million, up 6.9% year-on-year. Mainland visitors, account for 57% of total tourist arrivals, reached 12.5 million (+11%).

The full report (November 2008) is available at the Swiss-Hong Kong Business Association:
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Yangtze River Delta[1] in the Post-Olympic Era:

Highlighted Leading Hub with Shadow of Slowdown

- **The Shanghai led YRD is facing a phase of economic slowdown, under the difficult external and internal environment, but the economic fundamentals remained robust.**
- **Swiss exports to the region reported a remarkable increase of nearly 50%, resulting in an almost doubled trade surplus, compared with the same period last year. The total value of USD 492 million surplus accounted for 56% of the Sino-Swiss surplus.**
- **The development of YRD shows a domestic model of Flying Geese.[2] Heavy investment in infrastructure in catching-up areas of the region will continue to support the economic growth and provide new business opportunities.**
- **The boosting of the service sector in the YRD has been supported by the central government at a strategic level. The preparation of the World Expo 2010 will be another vital point to resurge the economy.**

Macro-economy: remains a highlight in the global growth, with shadow of slowdown

The Beijing Olympics have no doubt proven to be a glorious success, which offered China another ticket into the international community. Once again, in the post-Olympic era, China has been at the centre of many economists' controversial discussions. The post-Game slowdown effect could be very limited for such a huge economy, but China is unfortunately encountering numerous global and domestic problems, which have pushed its economy close to the edge of decline. The persistent domestic inflation, severe winter weather, devastating earthquakes, this coupled with the American credit crunch, global energy crisis, and the weakening overseas demands, created a grim internal and external environment for the year 2008. Discussions expressing concerns on whether the world's 4th largest economy is facing its growth slowdown or downturn after three decades of fast development, and what would be the impact on the rest of the world.

It is no question that this year is the start of an **economic slowdown** phase. China's **GDP growth slowed down to 10.4%** for the 1st half of 2008, which was 1.8% lower than the same period of last year. The stock markets have lost more than 60% and the property sector started to decline in the big cities. The growth rate of export, one of the three major economic driving forces, declined by 5.7% compared with the first six months of last year. The slower growth of foreign sales was mainly due to the weakened overseas demand, and the prevalent uncertain global situation due to the mounting credit crunch in the US and worldwide economic stagnation.

However, China remains the fastest growing big economy in the world with a two digit growth rate. Its two other major economic drivers, **investment and consumption, have stayed resilient**. Despite the sluggish property sector, the fixed-assets investment expanded 26.3%, 0.4% higher than last year, as a result of continued industrialisation and urbanisation. Retail sales nationwide picked up 21.4%, which was 6 percentage points higher than last year, mainly due to the higher income of farmers as well as workers upon the enforcement of the new labour law.

Yangtze Delta Region: Cooling down with the "Flying Geese" pattern of development

As China's major economic engine, the Shanghai led Yangtze Delta region is noted for its export-oriented industries, and therefore is more exposed to the global economic conditions. The region saw a slowdown in its GDP growth rate compared with last year.

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1 Refers to the port city of Shanghai, Zhejiang Province, which is famous for its private economy, and Jiangsu Province, which is renowned for its electronic and information technology sectors.

2 The term was coined originally by Japanese economist Kaname Akamatsu and presented to world academia in 1960s. The flying geese model intends to explain the catching-up process of industrialization of latecomer economies by relocating declined industries through foreign direct investment.

Shanghai reported a growth slightly below the national level of 10.3%. According to the municipal statistics, the downturn of activities in the property sector dragged down the GDP growth rate by 0.4%, while the bearish securities market made "zero contribution" to economic growth. In contrast, the two above mentioned sectors contributed 19% to the city's growth in the first six months of 2007. This time, after 2005, was the 2nd time that the city's GDP growth lagged behind the nationwide level since 1992.

Shanghai's fixed-asset investment increased only 2.3% in the first half of 2008, which is down 7.3% from the same period last year. This is due to slower infrastructure and real-estate development. However, even though investment decreased and the inflation rate accelerated in the city, its exports managed to maintain a growth rate of 25.1%. This is even so despite a weaker external demand. Overall, the city has been making continuous efforts to improve its industrial structure and develop more value-added products, and at the same time explore emerging markets to lower the external trade exposure.

For the rest of the region, **Jiangsu and Zhejiang** both reported slower growth rate of 13.6% and 11.4% respectively, but still expanded quicker than the national rate. **Anhui** province, the less developed province in the consular region and said to be included in the Pan-Yangtze River Delta Region, it notched up a growth rate of more than 14%, which is largely due to the surge in fixed assets investment, as the province invested in infrastructures and urbanization.

The domestic Flying Geese Model has been discussed among economists, regarding the industry restructuring in China. It suggests that high-income coastal provinces are to upgrade industry, while relocating declining industries to catching-up regions through investment. In order to attract the inflow of investment and to reduce the cost of transportation, local governments heavily invest in infrastructure.

Fixed-assets investment grew more than 40% in Anhui Province for the first half of 2008, while in Jiangsu Province, the rate was 18.2% for its south part, 27.3% for the mid-part and 30.3% for northern Jiangsu. Similarly, the less developed areas in Zhejiang Province, Zhoushan and Quzhou City, expanded 47.3% and 24.7% respectively in large fixed-assets investment projects, which is well above the provincial average of 17.9%.

As a matter of fact, the region remains the **favourite FDI destination**, attracting more than one third of the foreign invested projects in China, and with more than half of the actually utilised investment.

Bilateral trade and Swiss investment

According to Chinese statistics, the Shanghai led Yangtze Delta region still contributed **42%** of the Sino-Swiss trade. Switzerland continued to enjoy a **trade surplus** with China, with an amount of nearly **USD 1.6 billion** (compared with **USD 0.9 billion** for the same period of 2007) for the 1st half of 2008, among which **56%** was conducted from Shanghai.

Swiss exports to the region continued to grow, with more than **50%** remarkable growth rates in Shanghai and Jiangsu Province, and more than **20%** in Zhejiang Province, resulting in an almost doubled trade surplus compared with the same period last year. The major export of goods to Shanghai, which were watches and components, chemicals and pharmaceuticals, reflects the continuing demands for high end Swiss products in the richer coastal area. Major export of goods to Zhejiang province were textile machinery and components, and machine tools, which represents the trend to increase productivity in the textile and machine industry in order to deal with the increasing business cost and shrinking export market. While low end textile exporters suffered and even closed down in the so called "hard winter" for manufacturers in China, the mid and high end products producers are striving to survive with sophisticated technology and high productivity, which presents opportunities for Swiss products and expertise in the field.

For the first six months of 2008, **31** new Swiss invested projects have chosen to locate in the region (the number was 32 for 1st half of 2007). This makes the total Swiss investment projects in the region amounting to **519**, accounting for **50%** of the total Swiss invested companies in China. Shanghai remains the first Swiss investment destination in the region with **21** new comers, followed by Jiangsu with **9**

Swiss – Yangtze-Delta Region Trade Relations

	Import from Switzerland				Export to Switzerland			
	2007 Jan. – June		2008 Jan. – June		2007 Jan. – June		2008 Jan. – June	
	Million USD	Growth rate %	Million USD	Growth rate %	Million USD	Growth rate %	Million USD	Growth rate %
Shanghai	678.43	28.51	1'031	52.04	148.31	5.51	146	–1.39
Jiangsu	225.38	7.53	341	51.42	175.11	13.27	384	119.09
Zhejiang	100.0	32.1	123	20.14	170.0	37	233	34.07
Anhui	6.38	–61.91	13.1	105.37	7.36	41.28	4.31	41.47
Delta Region	**1'003.81**	**22.7**	**1'495**	**41.2**	**493.42**	**18.6**	**763**	**50.59**
China	**2'496.51**	**29.0**	**3'467.44**	**39**	**1'587.77**	**34.0**	**1'881.01**	**18.3**

Source: Chinese authorities

Swiss Investment in Delta Region

Region	Swiss Investment						Accumulated by end of June 2008		
	Projects		Contracted (million USD)		Actually (million USD)		Project	Con-tracted	Actually
	2007.1–6	2008.1–6	2007.1–6	2008.1–6	2007.1–6	2008.1-6			
Shanghai	17	21	28.38	27.06	N/A	N/A	318	1’660.06	N/A
Jiangsu	15	9	83.05	84.51	168.42	65.13	145	871	698
Zhejiang	0	1	1.18	0.86	17.34	N/A	56	309	171
Anhui	0	0	0	0	1.02	0	6	39.86	N/A
Delta Region	**32**	**31**	**112.61**	**152.86**	**N/A**	**N/A**	**519**	**2’840.06**	**N/A**
China	**50**	**59**	**N/A**	**N/A**	**203**	**135.8**	**1’050**	**N/A**	**2’801.4**

General remarks:
– GDP volumes are at prices of the reported years (not adjusted).
– GDP growth rates are price-adjusted.
– All figures are based on the unrevised data of China’s statistical authorities.

projects and **1** in Zhejiang Province. The accumulated investment in the region reached **USD 2.8 billion**.

Strategy to restructure YRD region: sharpening the international competitiveness

Chinese Prime Minister Wen Jiabao was absolutely right when he stated at the beginning of the year, that 2008 would be the most difficult year for the Chinese economy. While external uncertainties are still increasing, the internal environment continues to get complicated. Although the consumer price index (CPI), a major **inflation** measurement, eased to 7.9% in the first half year from its 11-year-high peak of 8.7%, and further down to **4.9%** in August, the producer price index **(PPI)**, which measures the value of finished products when they leave the factory, climbed to **10.1%** in the same month. This will further shrink the margin of down-stream producers and sooner be translated into consumer prices. On the other hand, although **consumption** showed steady expansion and is expected to be a new pillar of the growth, the petroleum products contributed to more than 10% of the growth and for the rest of the retail sales, percentage of life necessities is increasing while non-rigid consumption, such as cars, houses, is declining.

Economists have cut forecasts of China’s economic growth this year to as low as 9%, down from last year’s 11.9%. But that still would be the fastest rate for any major country and the fundamentals propelling China’s economy, such as investment and urbanisation, still remain and the fiscal revenue in the first half of the year also increased 33.3%. As such, it is now time to test the government’s capability to manage the economy during difficulties in the process of opening and global integration.

On September 15th, the Chinese central bank cut the benchmark interest rate and eased bank lending restriction, after five years of tightening monetary policy. This is a clear sign that fast sustainable growth has replaced fighting inflation at the top of the government’s agenda.

In an effort to sustain economic development and restructure the industry, the State Council, China’s Cabinet, promulgated a guideline on September 16th, which put the development of a **modern service sector of the Yangtze Delta Region** to a strategic level. The Shanghai led region will thus lead the country’s industry shift and seek to create an industrial structure with a modern service industry as the pillar. To echo the central government’s determination, the Shanghai government issued new provisions to encourage multinationals to establish regional headquarters in the city. Preferential policies include shortened approval process, lower minimum investment, opening of new areas of activity, eased restriction on hiring non-Shanghai residents and eased permanent residence for expatriates. The measure is believed to accelerate the industrial resurgence of Shanghai and also help bring prosperity to neighbouring areas when the economic benefits radiate out.

In addition to that, the central government also vowed to turn Shanghai into an **international financial and shipping centre**. Pudong area has already launched experimental reforms in the financial sector, such as small amount currency exchange. Further policies and reforms are expected for a more open financial market. Co-operations with neighbouring ports are also under discussion.

While trying to lead the country’s industry resurgence through the slowdown hardship, the region is heading towards the next grand event: the Expo 2010. It is foreseen that the investment will pick up again in the second half of 2009, boosting the economic growth with a new outlook.

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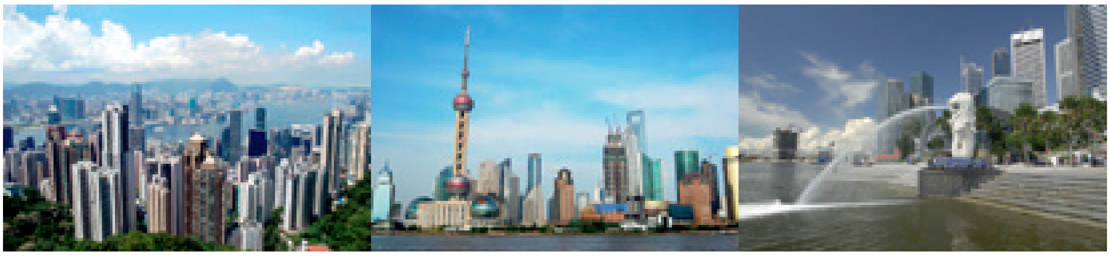
Hong Kong vs Shanghai vs Singapore



Hong Kong, Shanghai or Singapore? A look beyond the skyline is necessary.

Rising costs and decreasing investment incentives force many foreign companies to reassess their set-up in Asia. The search for the ideal regional location comes down to three interesting options.

There are many parameters to compare Hong Kong, Shanghai and Singapore. Recent political and economic developments could be one way to find differences, historical aspects and colonial heritage would be another. But in order to get a sound idea of the distinctions that impact day-to-day operations, it makes sense to take a closer look at the ease of conducting businesses' activities in each city. China Focus examines some of the main areas that impact foreign business' choice of Asia headquarters.

Overview

In the World Bank Group's 'Doing Business 2009' study, Singapore appears to be a very attractive city to establish an office. With a mere four days needed to set up, it is about half the time needed for Hong Kong and a fraction of the duration necessary in Shanghai. Dealing with licenses is more cumbersome in Shanghai than the two locations and only a daugh-

	Hong Kong	Shanghai	Singapore
Incorporation and Investment Environment			
Duration of incorporation (days)	11	40	4
Incorporation procedure steps	5	14	4
Capital requirements for incorporation of a Limited Company	No minimum	Yes (depending on company type)	No minimum
Currency convertability / profit repatriation	Yes / Yes	No / No	Yes / Yes
Ranking: Corruption perception index	12	72*	4
Office rent per sqm / month for A-grade office** (EUR)	110	30	85
Tax and Duties			
Amount of yearly tax payments	4	9	5
Preparation and filing (hours required)	80	504	84
Corporate income tax	16.5%	25%	18%
Individual income tax (max. tax rate)	16%	45%	20%
Double taxation agreement with Germany	No	Yes	Yes
Business Travel			
Cost** (EUR) / time (min) / distance (km) from airport to city centre	8 / 24 / 34	15 / 60 / 46	8 / 27 / 20
Standard hotel room per day** (EUR)	150	90	160

Sources: Fiducia, Worldbank Study "Doing Business 2009". Transparency International.
** China data serves as proxy for Shanghai*
*** Original currencies converted to EUR, exchange rates by www.xe.com*

ter company in Shanghai requires a minimum capital injection (amount varies by type of company). Hong Kong and Singapore do not have any minimum capital requirements. Nevertheless, renting an office in Singapore or Hong Kong comes at a premium, as office rent is between three to four times the rent of Shanghai. Both Hong Kong and Singapore allow flexible conversion of currencies and have no restrictions on the repatriation of profits whereas China's RMB continues to be non-convertible and restrictions hinder sending funds out of the country.

Paying taxes

The tax rates differ across the destinations as does the amount of time necessary to comply with the administrative burdens. While Singapore and Hong Kong make do with less than half a dozen payments, Shanghai requires nine. The time spent for this is more than six times as high in China. Taxwise Hong Kong remains the most attractive but Shanghai has become more interesting after corporate tax was lowered to 25% in January 2008 under the Unified Enterprise Income Tax Law. Also the personal income tax is the highest in Shanghai compared to 16% for Hong Kong and 20% for Singapore as a maximum rate. In order to ease the administrative hurdles and to attract more quality overseas enterprises, the municipal government of Shanghai recently issued new regulations to encourage more multinationals to set up their regional headquarters there:

- Shorten the approval process to 10 working days
- Lower minimum investment significantly
- Open up new areas of activity: domestic distribution, import/export, logistics, shared services, outsourcing and centralisation of finance management services
- Ease hiring of non-Shanghai residents
- Ease permanent residence for expatriates

Having examined these three locations it is clear that significant differences exist. However, each investment situation requires individual analysis. Furthermore, it may be best to separate business functions across locations according to the individual advantages, so a Hong Kong vs. Shanghai may in reality become a Hong Kong plus Shanghai.

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Regional Headquarters in Shanghai

New Shanghai Regulations Shoring Up Favoured Location for Regional Headquarters

On July 7, 2008, the People's Government of Shanghai Municipality promulgated a new set of Rules for Encouraging Multinational Companies to Set-up Regional Headquarters (the "2008 RHQ Rules"), replacing an old pack of regulations of the city back in 2002. The new 2008 RHQ Rules aim to prompt Shanghai as the favoured location for multinationals setting up regional headquarters ("RHQs"), in the wake of the national campaign of forging Shanghai as the incoming financial centre that is regaining momentum in the recent policy move.

This article from the CHINA*journal* aims to highlight the new features of the 2008 RHQ Rules and assess its potentials for multinationals' restructuring or optimizing their China operations.

Foreign-invested Holding Company or Management Company

As having been analysed in CHINA*journal* 2006 July issue, a RHQ in Shanghai can take either the form of a foreign-invested holding company under the national rule or a management company specially provided in the Shanghai local regulation. It is confirmed in the 2008 RHQ Rules that an established foreign-invested holding company under the national rule may apply directly for the status as a RHQ in Shanghai. In addition, multinationals have the alternative to establish management companies in Shanghai to take up the role of RHQs.

The prerequisites for setting up a RHQ in the form of a management company is much less stringent than those of a foreign-invested holding company under the national rules. The management company should meet the following conditions:

- The total assets of the mother company is no less than USD 400 m;

- The total accumulated registered capital invested by mother company in China is no less than USD 10 m and the management company is to be authorized by the mother company to manage at least 3 subsidiaries in- and outside of China; or when not meeting the above-mentioned registered capital threshold, the management company is to be authorized by the mother company to manage at least 6 subsidiaries in- and outside of China;

- The registered capital of the management company is no less than USD 2 m.

The 2008 RHQ Rules have substantially lowered the investment requirements, compared with the 2002 Shanghai regulation, where it was required that the mother company should have at least USD 30 m accumulated investment in China and in the meantime the management company is to manage no less than 3 subsidiaries in and outside China. The 2008 RHQ Rules effectively make it possible for those multinationals that have not made substantial investment in China to establish RHQ in Shanghai, as long as such RHQ is to be used for managing at least 6 subsidiaries in and outside of China.

Extended Business Scope

The permitted business scope of a RHQ in Shanghai is extended to covering the following areas:

- Domestic distribution and import and export;
- Merchandise distribution and other logistics operation;
- Providing intra-group shared services and taking up service outsourced by the overseas company.

In addition to those activities such as investment and operation decision-making, fund management and operation, R&D and technical support that have already been provided in the 2002 Rules. These newly included businesses in fact touch those areas that are only accorded to foreign-invested holding companies that are granted RHQ status under the national rule. Such RHQ status requires the satisfaction of very stringent prerequisites under the national rule. The 2008 RHQ Rules thus provide a much cheaper solution for multinationals to reshuffle and streamline their Chinese and regional alike operations.

Among others, the most useful functions that a Shanghai RHQ is able to carry out include:

Domestic Distribution

Chinese law treats distribution separate from im- / export. Ordinary FIEs are only permitted to import for own use and export for self-made products. Procurement, agent commission, wholesales, retails and franchising activities require special endorsement. As shown in CHINA*journal* 2006 July Issue, a foreign-invested holding company is able to take on certain types of distribution functions, with limitation on the producer identity, exclusion of retailing, purpose of trade (trial sale or parts for maintenance) etc. The 2008 RHQ Rules have not set any such limitation on a RHQ in Shanghai. It is not clear whether this means a much cheaper Shanghai vehicle is actually able to do more than a higher profiled national holding company. The underlying tension and bargaining game between the central and local would cause uncertainty for the interpretation and implementation of the rules. Nevertheless, for those multinationals that cannot afford or are not willing to make much too high capital commitment as required by the national rules, the Shanghai RQH does provide a viable legal vehicle for the group's domestic distribution need, if not completely satisfactory.

Share Service

The services and activities entailed in a RHQ's business scope make it feasible to use such vehicle for a shared service centre. Typical shared services that a RHQ is eligible to carry out include R&D, HR, technical support and personnel training, after-sale service, market research, operating leases of machinery, transportation, warehousing, logistic and other general services.

Finance and Treasury Functions

The 2008 RHQ Rules retains the current solution for inter-group finance needs under the 2002 framework, which entails the entrustment loan facility, where a bank or trust company is involved as an intermediary between the lender and borrower. Also the pilot practices since October 2005, where RHQs in Pudong New District in Shanghai are allowed to provide forex currency daily cash concentration among the affiliates, are endorsed in the 2008 RHQ Rules. Also, surplus RMB balance may be converted into foreign currency and loaned to offshore companies subject to previous approval of Shanghai SAFE. Multinationals could also manage through an offshore account with a local bank the funds of overseas affiliate companies. Such pilot program enhances the ability of multinationals to effectively manage their international corporate treasury functions in China.

The “Bund”-view from the Shangri-La Hotel in Shanghai.

Government Support/Incentive and Personal Movement Facilitation

Under 2008 RHQ Rules, Shanghai government may provide finance support regarding the RHQ’s office renting cost, subject to further detailed regulation. Also there are bonus or prize facilities for those RHQs and their leaders if their contribution to local economy is considered outstanding according to the city government.

Chinese staffs of RGQs will be provided with emigration facilitation regarding their business trips to Hong Kong, Macao, Taiwan and other regional headquarters. Foreign staffs, who need to stay in China for longer period, are eligible to apply for residence permit for a period of 3–5 years.

Conclusion

The 2008 RHQ Rules in many aspects promote the RHQ in Shanghai as a cheaper legal vehicle which can do the same or even more than a national holding company. The newly inserted government finance support and personal cross-border movement facilitation place Shanghai’s RHQ rules at equal footing with those of other competing cities such as Suzhou, Guangzhou, Nanjing and Beijing, which have their own rules to attract RHQs. Multinationals may wish to have a thorough analysis on how a Shanghai RHQ stands out and serves better for the purpose of regrouping the corporate structure and streamlining the business operation in China as well as the neighbouring region.

Information and description contained in this article are for reference purpose and should not be deemed as complete and official. Readers are recommended to seek professional advice before making any decision or taking any action.

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Shanghai Real Estate Market Braces for Cold Winter

The global financial storm is far from dropping away, bringing great uncertainty to domestic economy. According to a report by World Bank, China’s economic growth will slow to 7.5 percent next year from 9.4 percent this year – the slowest growth since 1990, reflecting the grim realities of the international financial crisis. Shanghai real estate price, representative of the property price of Chinese top-tier cities, to a large extent is connected with the global and domestic economic situation. From the overall economic situation, it would take a long time for the adjustment in the real estate market, which could hardly rebound in a short term.

- The real estate market kept stable in the first half of 2008, but began to show a slump since the 3rd

Quarter due to the tightening domestic policies at the beginning of 2008 and negative impact of global financial turmoil as well.

- Shanghai Industrial Market grew steadily in 2008, offering enough supply to meet the industrial investment demands.
- Ample office supply has been put onto the market in 2008, coupled with falling demand, pushing vacancy rate to unprecedented high since 2004.
- Chinese central and Shanghai local governments put forward various stimulus plans to encourage the property transaction since October. However, the measures do not seem to stop the housing price from downward trend in a short period.

For the full report visit:
www.sinoptic.ch/shanghaiflash/index.htm

Structuring Investment in a Smart Way

How a Hong Kong Company Can Benefit Your China Investment

Juergen Kracht
Founder and
Managing Director
Fiducia Management
Consultants

The German Business Magazine Wirtschaftswoche recently held a quiz on its website asking participants to name the ten biggest investor countries in China. The true answer was surprising as the top ten are Hong Kong (HK), British Virgin Islands, Japan, South Korea, USA, Singapore, Taiwan, Cayman Islands, Germany and Samoa. The reason why HK heads this list is because investors from Taiwan, HK or China use HK companies as a vehicle to invest in projects in China.

In many cases companies from Western countries still opt for the direct investment approach, be it in a subsidiary company (WFOE), or a Joint Venture without giving much consideration for possible alternatives. But there are some exceptions for foreign companies using HK companies.

Many investors experienced that setting up a company in China still presents formidable bureaucratic and regulatory obstacles, so it is not surprising that the recent "Doing Business 2009" study from the World Bank – which compares the ease of starting a business – sees China rank 151 out of 178 countries. The same applies for changes in the ownership structure. As a comparison, a change in the shareholding structure in China may take two months to accomplish whereas in HK it takes a few days. In practice this means that a change in the shareholding structure of the Chinese entity takes place in the HK Company only. Especially real estate and property in China are often owned by an offshore company who can change ownership through selling the HK holding company rather than a sale of the property.

Geographically and politically, HK is part of China hence providing clear advantages like proximity and language. However, its legal and business structure are distinctly different and valid until 2047. Combining the two jurisdictions for China investments may provide opportunities that are fitting for challenges which continue to exist.

Advantages of Using HK Companies

- Stronger legal security as HK's Company Law is based on the UK company law (this applies to Hong Kong's entire legal system).
- Setting up a company in HK is quick and straight forward. Set-up and maintenance costs are comparatively low.
- The law provides room for different shareholding classes, mortgages and lien on assets.
- Ease of changes in the shareholding structure – be it a partial sale (e. g. taking on a partner) or an outright sale.
- Easier access to bank finance (an important aspect in light of China's current restrictions on the banks' credit policy)
- Dividends paid by a China entity to a HK based shareholder are taxed at a preferential rate of up to 5% (standard withholding tax rate is 20%) if the Double Taxation Agreement (DTA) criteria between HK and China are met.
- Dividends paid by a HK Company are tax free in HK (making use of existing DTAs can allow a tax free dividend transfer to the ultimate parent company).

By Juergen Kracht
Founder and Managing Director

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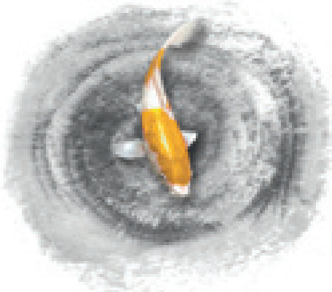

Hong Kong Science Park

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Hong Kong Science Park has a tailored-made SME programme with unique benefits:

- Opportunities to collaborate and network with more than 200 technology companies
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Network room

Swimming pool

Lakeside dinning

Exhibition hall

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- Banking & financial institute, accounting & legal firm
- Regional headquarters/offices

For more details on the SME programme, please visit:

http://www.hkstp.org/sme.pdf

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Asian Headquarters in Europe – A Strategy for Switzerland

Executive Summary

Switzerland has the potential to create up to 120,000 new jobs in the next ten to fifteen years by attracting Asian companies to set up regional headquarters within its borders. A new joint report ASIAN HEADQUARTERS IN EUROPE – A STRATEGY FOR SWITZERLAND by McKinsey & Company, Osec, and the Swiss-American Chamber of Commerce (incl. information from SCCC; note by the editor) identifies the opportunity for Switzerland, describes the decision-making processes of Asian companies when setting up regional headquarters (HQs), and develops recommendations for capturing the full potential of this next wave of companies expanding into Europe.

The international expansion of Asian companies could represent the next wave of foreign companies setting up operations and regional HQs in Switzerland. The country has the potential to attract more than 120 regional HQs over the next ten years. However, to capture this opportunity in the face of fierce competition from other European countries, Switzerland needs to take action to offer Asian companies what they need.

Switzerland as a prime location for international HQS

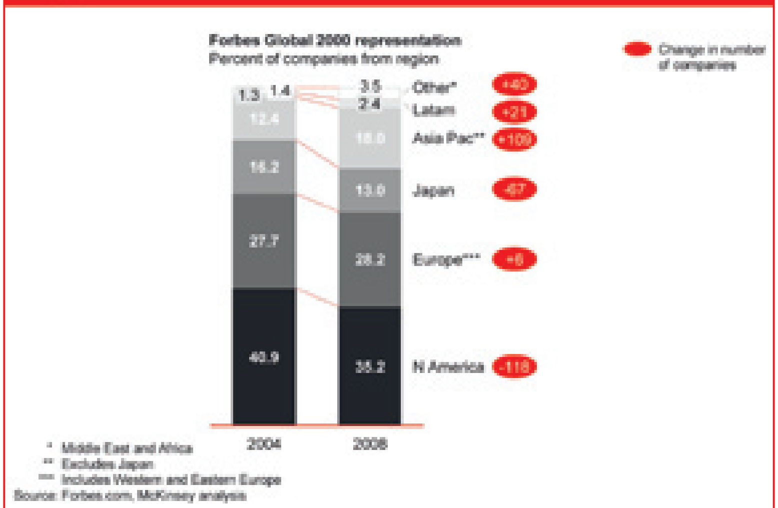
Large multinational companies increasingly decide on the location of their international and regional HQs based on factors that go beyond the potential of their home country. Additionally, the growing sophistication of information, communication, and transportation technologies enables firms to slice up the value chain of their HQ activities. Companies are thus increasingly relocating activities to regional HQs, as they try to optimize the geographic location of each value-adding business activity. The result is more regional HQs and the relocation of more HQs outside a company's home country.

Switzerland has long been at the crossroads of international trade and finance. Its political and social stability, liberal labor market, and competitive tax system provide a favorable business environment. Its multilingual, well-educated workforce is both productive and innovative. In addition, Switzerland's academic institutions support its established industry clusters, such as financial services, pharmaceuticals, chemicals and precision engineering. An outstanding quality of life and a very safe environment further enhance these advantages. In the past ten years, more than 180 international companies – including Procter & Gamble, IBM, Kraft Foods, Google and Dow Chemical – have established HQs in Switzerland, with many more considering locating their regional offices in the country.

International and regional HQs generate a range of tangible and intangible benefits for Switzerland, such as opportunities for local employment, additional tax revenues, the transfer of managerial expertise, and recognition as an investment location. We estimate one new HQ to have an overall annual impact of CHF 75–80 million on the GDP of Switzerland and to create 450–500 full-time jobs in the economy. The impact on tax income will vary depending on the company type and the applicable tax rates, but a rough estimate is around CHF 15 million p. a. for one HQ.

Figure 1

Composition of Forbes Global 2000 list 2004 and 2008



The new wave of HQS will come from Asia

As growth in Asian economies outpaces that of North American and European countries, Asia's champions are steadily gaining prominence in global markets. Over the past four years, the proportion of Asian companies in the Forbes Global 2000 list has increased by over 40 percent, from 250 companies in 2004 to 359 in 2008 (see Figure 1). China, India, South Korea, and Taiwan account for almost 75 percent of this increase.

So far, with the exception of a few global champions from Korea and Japan, Asian companies have focused on expanding largely in domestic and regional markets. Less than 40 percent of the top 100 companies in China, India and South Korea combined have an HQ or a significant office in Europe. South Korea's European presence is quite strong, but fewer than one in five of the top 100 Chinese companies have such a foothold in Europe.

The situation is changing. Between 1997 and 2004, Asian companies represented only 5–10 percent of all foreign HQ projects in Europe. By 2004, however, Chinese companies were already in second place, with 11 European HQ projects. Over the next 10–15 years, we believe that between 1,400 and 3,200 companies from China, Taiwan, South Korea, and India may consider moving to Europe (see Figure 2). The main industry sectors are likely to be high-tech, consumer goods, and diversified industrials.

Of the companies considering a move to Europe, between 120 and 260 might establish HQs in Switzerland in this period. This would result in a rise in employment of roughly 55,000 to 120,000 FTEs, or around 1.5–3 percent of Switzerland's workforce as of 2007. It would also increase GDP by between CHF 9 billion and 20 billion, which corresponds to 2–4 percent of the country's 2007 GDP (see Figure 3).

How do Asian companies decide on HQ locations?

To ensure that Asian companies find the business environment they need to establish their HQs, Switzerland needs to take account of how such companies decide on the location of their regional HQs. The criteria used by companies to decide on an HQ location are well known (e. g., client proximity, transport and accessibility, the labor pool, and taxation). However, our research, which includes around 50 interviews with Asian CEOs, experts and opinion shapers, indicates that Asian companies' criteria differ in key respects.

For instance, Asian managers attach more weight to a personal "proof of concept". For them, the presence of already established Asian companies is evidence that a location is likely to be suitable for their company. Similarly, Asian decision-makers rely more on recommendations by trusted advisors and personal contacts with local representatives.

Another aspect frequently mentioned by managers of Asian companies is the possibility to acquire new skills and to attract international talent, which is perceived as a barrier to Asian companies' ambitions to become multinational.

While a favorable tax regime is very important, Asian companies also look for a location offering political stability. Chinese companies, especially, emphasize the importance of stable relations between the host country and the Chinese government. The ease of setting-up and conducting business is also crucial (e. g., visas and work permits for Asian managers, and a network of professional services used to dealing with Asian firms).

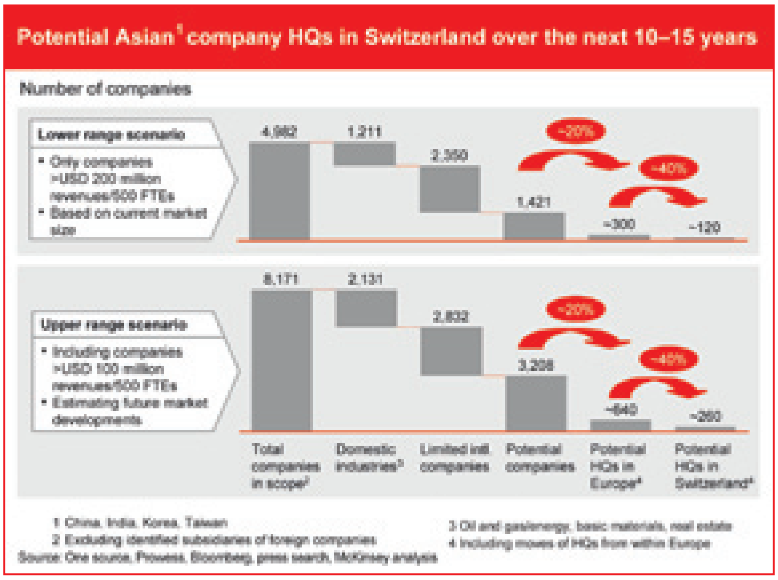


Figure 2

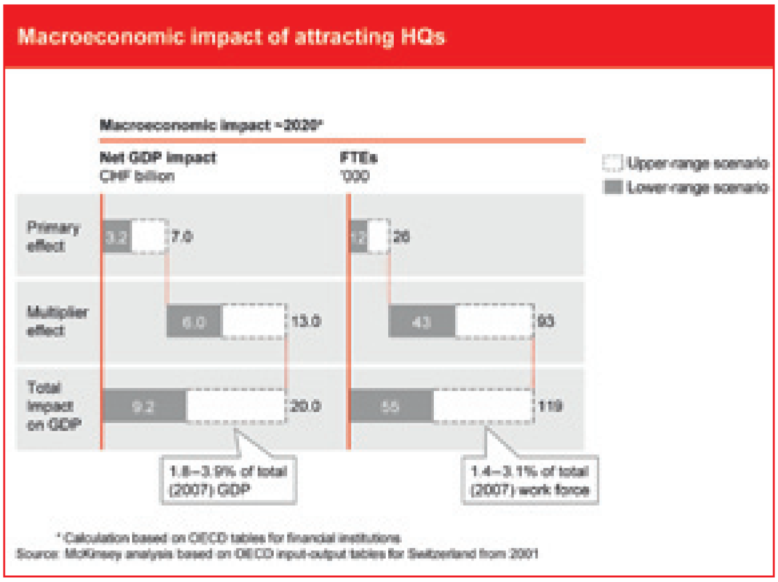


Figure 3

By contrast, Asian managers tend to rate the existence of Asian social communities or international schools quite low in their decision criteria. This may be because, in general, their families often only come to Europe for a limited period, if at all. Moreover, a country's native language is less important than widespread fluency in English.

Does Switzerland meet Asian needs?

Switzerland is among the most attractive locations for international HQs based on factors such as taxation, infrastructure, quality of life and the availability of international talent. Indeed, Switzerland receives a consistently high ranking in surveys such as the World Economic Forum's Global Competitiveness Index and Mercer's Quality of Living Survey (see figure 4).

Global Competitive Index ranking of top 15 countries

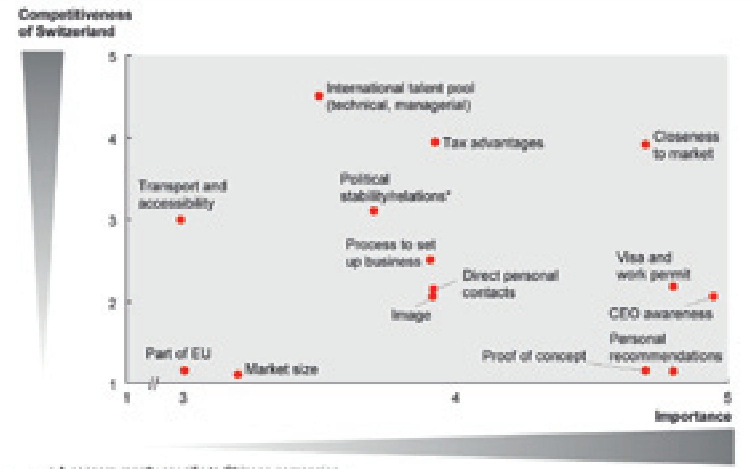
2002–2008

2002	2003	2004	2005	2006	2007	2008
1 Finland	1 Finland	1 Finland	1 Finland	1 Switzerland	1 US	1 US
2 US	2 US	2 US	2 US	2 Finland	2 Switzerland	2 Switzerland
3 Canada	3 Sweden	3 Sweden	3 Sweden	3 Sweden	3 Denmark	3 Denmark
4 Singapore	4 Denmark	4 Taiwan	4 Denmark	4 Denmark	4 Sweden	4 Sweden
5 Australia	5 Taiwan	5 Denmark	5 Taiwan	5 Singapore	5 Germany	5 Singapore
6 Norway	6 Singapore	6 Norway	6 Singapore	6 US	6 Finland	6 Finland
7 Taiwan	7 Switzerland	7 Singapore	7 Iceland	7 Japan	7 Singapore	7 Germany
8 Netherlands	8 Iceland	8 Switzerland	8 Switzerland	8 Germany	8 Japan	8 Netherlands
9 Sweden	9 Norway	9 Japan	9 Norway	9 Norway	9 UK	9 UK
10 NZ	10 Australia	10 Iceland	10 Australia	10 Australia	10 Netherlands	10 Canada
11 Ireland	11 Japan	11 UK	11 Netherlands	11 Japan	11 Korea	11 HK
12 UK	12 Netherlands	12 Netherlands	12 Japan	12 Netherlands	12 HK	12 UK
13 HK	13 Germany	13 Germany	13 UK	13 Germany	13 Canada	13 Korea
14 Denmark	14 NZ	14 Australia	14 Canada	14 NZ	14 Taiwan	14 Austria
15 Switzerland	15 UK	15 Canada	15 Germany	15 UK	15 Austria	15 Norway

Source: World Economic Forum Global Competitiveness reports 2002–2008

Figure 4

Importance of decision criteria for Asian companies



* A concern mostly specific to Chinese companies
Source: Interviews, McKinsey analysis

Figure 5

Despite this, we have identified two main issues that significantly hinder Switzerland's competitive positioning towards Asian companies (see Figure 5):

- The country's lack of a proper image as a business location
- Severe shortcomings concerning the entry process and requirements for Asian companies.

Switzerland's traditional image in Asia relates more to tourism, political stability, high-quality education and low taxation than to a preferred location for an HQ. Even when Switzerland is recognized as the home of some of the world's leading companies, the business environment and opportunities it can offer are not always apparent to Asian business leaders. Moreover, there is no "proof of concept" as very few Asian companies have HQs in Switzerland.

The second issue is the complexity and lack of transparency of the process for establishing a new organization in Switzerland. Asian managers must deal with authorities at several levels as well as different requirements in different cantons. Also mentioned as a drawback is the slow and stringent process for obtaining visas and work permits for Asian managers and employees.

Less important issues include the small size of the national market and the fact that Switzerland is not a European Union member.

Switzerland's key challenges and how to address them

To overcome these issues and capture the potential of Asian HQs, Switzerland needs to address three major challenges.

Getting on the initial shortlist of Asian decision-makers

This is the most important challenge for Switzerland. To increase awareness, Switzerland needs to build success stories that create a "proof of concept", enhance its (business) image, and increase as well as target the country's promotion in Asia.

Given the importance of "proof of concept" for Asian companies, Switzerland needs to attract and support the establishment of Asian showcase firms as its first priority. For example, by setting up a project group to attract leading Asian companies to Switzerland and support them in establishing a business. An important success factor will be to leverage existing contacts with Asian companies in Switzerland and Swiss multinationals in Asia.

After some initial success stories, Switzerland would need to communicate its value proposition to the broader Asian political and business community. To this end, it needs to not only consolidate and increase the marketing budget for Asia, but also set up a single promotion agency for target countries.

Facilitating entry for new HQs

Switzerland needs to facilitate the process of entry for new HQs, which decision-makers perceive as opaque and inefficient. Companies have to interact with authorities at various levels, so a first step would be to improve coordination between the different bodies handling the process and offer tailored assistance throughout the process. This requires the creation of a clear interface between the different entities handling an Asian company's entry process from start to finish. A "no wrong door" approach for Asian companies looking to establish HQs in Switzerland would provide a first point of contact for the entire the process and ensure that competing offerings from different regions and agencies do not confuse prospective entrants.

With regard to entry requirements, a task force should review the alignment of the various government authorities' high-level immigration strategies as they apply to the countries in Asia targeted by promotional activities. Such a task force would also provide support for the visa and work permit allocation process for skilled workers from these countries.

Maintaining and strengthening the competitive position over time
Switzerland must ensure it retains its leading position as an HQ location in the face of competition from other countries, such as Sweden, the Netherlands and Germany. We see three main levers to achieve this: upgrading the transport infrastructure, enhancing the talent pool, and establishing Asian communities in Switzerland.

A transport initiative would aim to reinforce Switzerland's position as a hub at the heart of Europe by ensuring adequate capacity at national airports and increasing connectivity with neighboring countries, among others. It could also target improvements in links to Asia, for example, by attracting a leading Asian airline to set up a hub in Zurich.

With regard to the talent pool, Switzerland needs continuously to enhance its value proposition as an international managerial training ground of choice. For example, Swiss institutions could launch additional specialized management and international relations courses with an emphasis on Asia. In addition, Asian language and cultural capabilities should be developed.

Lastly, Switzerland should build up a professional community of accountants, banks, consultants, and other services with links to Asia (e. g., by encouraging Asian professional service firms to open branches). Fostering Asian social communities in the country would also help to enhance the quality of life for Asian managers coming to Switzerland.

Conclusion

Asian companies are becoming increasingly multinational and the expected establishment of regional HQs represents a sizeable opportunity for European countries. Although Switzerland is well positioned today to capture a share of this opportunity, global competition from countries trying to attract HQs is increasing.

Switzerland needs to focus on actively promoting itself as a prime location for HQs in Asia, while steadily improving the entry process for companies interested in setting up an HQ in Europe. If Switzerland overcomes these challenges and successfully attracts a significant share of Asian companies moving their HQs to Europe, the benefits for the country will be substantial in terms of both GDP and employment growth.

The full report is also available on the website of the Swiss-Chinese Chamber of Commerce www.sccc.ch (look under News General Matters).

Fact Finding Mission 2008

From October 26th until November 1st, 2008 "Switzerland. Trade & Investment Promotion" organized a tour through Switzerland for a high-ranking Chinese business delegation. The tour was especially designed to increase the awareness of Chinese company representatives about Switzerland as an attractive business location.

A group of Chinese executives, representing ten companies joined the one week tour through Switzerland. Heavy machinery and mining companies, chemical and pharmaceutical companies as well as consumer electronics, luxury goods and trading companies responded to the invitation of Ambassador D. Martinelli of the Swiss Embassy in Beijing.

The set-up of the journey was based on the following pillars:

- Seminars held by technical experts
- Testimonial visits
- Networking with high-ranking political and business leaders
- "Experience Switzerland" as business location on site

Seminars held by technical experts

In good co-operation with renowned institutions and globally successful companies a series of seminars informed the Chinese delegation about most important topics in regards to business success in Europe. A seminar about Banking in Switzerland, given by Credit Suisse introduced the variety of services for international clientele. An impressive presentation at the Executive Campus of the University of St. Gallen about how to become a successful brand was given by Dr Stephan Feige and Urs Jaermann (issuer of the latest international analysis about the brand "Switzerland"). PricewaterhouseCoopers informed the dele-

Group picture of the luncheon meeting hosted by Dr Hans-Ulrich Doerig, Vice-Chairman of Credit Suisse Group.

gation about efficient globalized business structures. The group was so interested into the topic that the afternoon leisure program was replaced by another workshop. On the last tour day, IMD introduced their world competitiveness report and gave the opportunity for discussions between Chinese MBA students and the Fact Finding Mission participants.

Testimonial visits

Beside the theory discussed during the seminars and workshops, the delegation also had the opportunity to meet with foreign enterprises operating a Swiss subsidiary. Two diverse industries with comparable structure gave excellent case studies. The globally acting pharmaceutical company Bayer and the US fashion company Fossil with 250 stores worldwide in regards to their activities in Switzerland followed by a questions and answer session.

Switzerland.

New logo to promote Swiss export industry and Switzerland as a business location outside Switzerland. In 2008 Osec and LOCATION Switzerland merged to benefit from synergy potential and increase the awareness of Switzerland as an attractive business location abroad.

Networking with high-ranking political and business leaders

Not only know how transfer but also contact to key persons in Switzerland was highly appreciated by the Chinese delegation. An exclusive lunch, hosted by Dr Hans-Ulrich Doerig, Vice Chairman of Credit Suisse Group was the business highlight. A welcome reception by Dr Carlo Conti, Councillor of Canton Basel Town in the historic government building and the dinner reception by Dr Joseph Keller, Minister of Economy Canton St. Gallen were highly ranked as contact opportunities in very friendly atmospheres. Another highlight was the Chinese dinner in the building of the Chinese Consul of Trade and Commerce accompanied by a speech of the Chinese Ambassador Dong Jinyi.

"Experience Switzerland" as a business location

The framework of the seminars and meetings was designed starting from eastern Switzerland to the west. St. Gallen, Mount Saentis, Zurich, Basel, Bern and Lausanne were major stops. With the special support of Credit Suisse, PricewaterhouseCoopers, IMD, Canton St. Gallen, Greater Zurich Area, Basel Area, Berne Economic Development Agency and DEWS the overall quality of the tour was very high. This has been mentioned numerous times and was well appreciated by the participants.

All in all the "Switzerland. Trade & Investment Promotion" Fact Finding Mission was an excellent opportunity to increase the awareness of Switzerland as an alternative business location in Europe. At the end of the trip some participants extended their stay to further develop their plans to locate in Switzerland.

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What is China's Biggest Business Opportunity?

In these times of global uncertainty, one of the few "islands" of continued growth and opportunity remains to be China. Foreign investors looking for cues into where to put their money would be wise to study broad demographic and economic trends taking shape in China. While the economy is bound to go through ups and downs in coming years, the one unshakeable fact is that its middle class is growing and growing richer. Increasingly affluent Chinese consumers want better health care, educational and leisure services and facilities and luxury products. As such, this article delivers our understanding of a post-Olympic China – and what the boom industries will be from now on.

Now that the Beijing Olympics are over, where is China headed and where are its best opportunities for foreign investment? The increasing Chinese middle class, estimated at between 100 million to 300 million people depending on one's definition, has been growing rapidly and is expected to surpass 400 – 500 million by 2015. It is one of the major forces in the Chinese economy already and will be an increasingly influential factor as its members gain purchasing power in coming years.

We already are convinced of China's future business potential, but we didn't stop at that. Instead we asked ourselves the question, "If you had USD 20 million to spend – in which industry or sector in China would you put it?" All our consultants from all sectors had roundtable discussions and came up with five themes which they believe offer the best choices for foreign investors, with huge markets in terms of potential size and growth. All are related to the rising middle class.

Healthcare

Investment in healthcare, ranging from medical equipment to private dental clinics, will be one of the most promising business opportunities in China in the next five to ten years. "China presents a huge opportunity, if foreign companies can provide competitively priced basic medical equipment", says InterChina's North America Director David J. Hofmann. What China needs most right now is not imported, expensive medical devices, although these will still have a clear market, but locally produced, affordable basic equipment such as ECGs (electrocardiograms), sterilization equipment and fast blood testing devices. Foreign medical equipment producers should be aware that many Chinese doctors and nurses in rural areas lack the ability to use imported, highly advanced equipment. The medical equipment they produce should be geared toward more basic needs so that the products can be widely used in China.

Manufacturers, seeking to access the market with a lower technology product, will need to focus on how to move production to China, rather than exporting from their home markets. We believe that the market will be willing to pay a premium for higher quality equipment which is locally produced. Additionally, the Chinese government has recently issued a plethora of policies designed to encourage the investment in the upgrading of China's healthcare infrastructure.

Although the greatest opportunity for medical devices will be in locally adapted products, there also will be opportunities for services – especially premium services such as healthcare and dental clinics, weight management centers and cosmetic surgery hospitals. Currently, around 130,000 private clinics exist in China – and most of them are very successful. The key driver will be China's growing middle class and its intensifying desires for good health and better, more beautiful lifestyles. The American company Chindex has pioneered privately invested full service hospitals accredited to international standards. While their facilities in Beijing and Shanghai have targeted expatriate and wealthy Chinese, they have secured US$100 million in financing to support the development of their second phase of healthcare facilities targeted at middle and upper class Chinese patients offering similar levels of care at a lower cost basis. Alpha Dental Care, invested by Singapore's IMDC Healthcare Group, directly operates three clinics in Shanghai, targeting the premium market. It is preparing to open up eight additional clinics in second-tier cities around Shanghai (Suzhou, Ningbo, etc.). Cosmetic surgery already is popular among urban young Chinese. After each summer holiday, teenagers find more and more of their classmates "upgraded".

Demographics and affluence will drive consumption, creating demand for new services

Demographics and increasing affluence will be the key factors behind many future trends and opportunities. The most obvious is the aging of China's population, which lags neighbouring countries like Japan but is bound to accelerate due to the country's population control policies. "One of China's biggest challenges is the inevitable aging of its population",

Franc Kaiser
Senior Consultant
InterChina
Consulting
Shanghai Office

China's 5 major business opportunity themes

1. Healthcare
- Medical devices
- Pharma
- Premium services

E.g.
- Diagnostic devices/equipment
- Dental clinics
- Beauty clinics
- Cancer diagnostic centers
- Weight management centers

2. Demographics and affluence
- Retail and franchise concepts
- Food products
- Solutions for elderly

E.g.
- Western frozen food
- Premium healthy, safe food
- Coffee, Bakeries, Fast food
- Supermarkets
- Private retirement homes
- Real estate development
- Related services and products to housing, real estate

3. Going green and sustainable
- Innovative technologies
- Environmentally friendly
- Energy efficient

E.g.
- Emission treatment equipment
- Water treatment technology
- Renewable energy equipment
- Green packaging

4. Luxury & Leisure
- Luxury goods
- Leisure propositions

E.g.
- Yachts
- Ski-resorts
- Travel / tourism solutions
- Pet services and products

5. Services
- Educational services
- Company growth support

E.g.
- Private universities
- Language schools
- Educational courses via Internet
- Call centers
- Back office support services

says Jan Borgonjon, President of InterChina. Around 9% of Chinese people were over 65 years old in 2006, but by 2020 seniors will comprise 16% of the population. By 2050, around one quarter of the Chinese people will be over 65. Those 350 million seniors will constitute a huge market in themselves. "Premium retirement homes or resorts could just be the next big thing", says Edoardo Bertolani, an InterChina Shanghai Consultant. Currently, China is able to accommodate only around 1% of its elderly in its 40,000 retirement homes. This number should double by 2010, but families will still care for the vast majority of elderly people, as they have in centuries past. "Now, with increased affluence and a growing number of wealthier middle class retirees, families may find 'five-star' retirement houses a convenient and also prestigious alternative", Bertolani said. The construction, operation and management of such facilities could be a huge business opportunity. Services and products geared toward the elderly, such as special foods, medical devices (e.g. hearing aids), leisure and tourism services are another potential growth area.

Other demographic trends boom in consumer demand

We believe that food and retail concepts will profit immensely from this demographic trends and increasing affluence. "Basically, we expect all types of chain stores and restaurants to profit from China's consumer boom. It can be huge if you have the right product for the right customers at the right location with the right kind of service", says InterChina President Borgonjon.

"Take bakery chains for example", explains Frank Pang, a consultant at InterChina's Shanghai office, "China does not have any home baking as ovens are very rare in Chinese apartments. Demand for freshly baked bread is increasing year by year in Chinese cities. There are long queues in front of the outlets of well-established bakery chains in department stores every day."

Furthermore, retailers can offer various products – in the example of bakery chains, the products can be diversified from packaged cakes with a long shelf-life to other categories such as coffee, frozen western foods, etc. "Customers of such retail concepts are China's new generations, who are influenced by Western lifestyles. This is now also taking place not just in the largest cities, but also in the second-tier, and maybe soon even third-tier cities", Pang said. Western fast-food chains, restaurants and supermarkets are spreading fast – and there seems to be no end to their horizons for growth. Carrefour's businesses in China brings home EUR 3 billion already. The French supermarket chain now has over 100 Chinese outlets and is still growing fast. Following the example of C&A and H&M, Britain's Marks & Spencer opened its first China store in Shanghai in October this year as well.

"There might be more opportunities in second-tier and third-tier markets and cities as they will grow fast in the coming years. Foreign investors should not neglect them as they are the really big portions of the cake", said Jessica Ke, a Consultant at InterChina's Shanghai office. She points to the expansion of businesses into smaller markets and rural areas where demand for products such as milk and meat is steadily increasing.

In the cities, on the other hand, we believe that healthy and safe foods will offer more opportunities than ever before. Following recent food quality scandals (as in the recent case of Sanlu's contaminated milk powder), Chinese consumers will be willing to pay a premium for safer foods. "It's about the scale of a huge market, which has become more sophisticated", says Wu Zhifang, a Beijing-based Partner at InterChina. "China's largest business opportunity actually will be food. Chinese companies such as Mengniu were just the beginning", he adds. Mengniu, now China's largest dairy company, took the market by storm, rising from almost nothing 10 years ago into a US$2 billion business. China's F&B industry (excluding agriculture, retail, and restaurants) will double in value from to US$584 billion in 2010, from 2005. "The average Chinese consumes much less meat than the average American, suggesting a long growth curve ahead. Other businesses related to food and retail are jumping on the growth bandwagon, such as cold chain distribution channel development and cold chain logistics", says Hofmann.

Housing and real estate are other golden areas for growth. Despite the current adjustments in prices in Shanghai and Beijing, "There is no doubt about the long-term opportunity for real estate development in China", says Laura Tsui, a Partner at InterChina. "Chinese people believe in living in their own houses, not in rented homes. The present 'winter' in real estate is just the time to buy houses", Wu agreed. "The real estate market has at least 20 years of growth ahead." Basically, half of China's houses and apartments have not yet been built. The areas for growth will be outside established (and now expensive) cities. Coupled to this are investment models and plans for real estate developers, property management companies and hotel chains.

Going green through innovative technologies and equipment

Innovative technologies will be another major field of opportunity, especially for foreign companies and investors. "If I had USD 20 million, I would invest in technologies and solutions in the areas of energy-saving and environmental protection. Chinese cities have serious air pollution", Jan Borgonjon said. Technologies for clean energy and water treatment, emission treatment equipment, parking solutions, energy saving building solutions are and will be a big thing. However, the opportunities will be on the equipment and technology side – services and management will remain very complex and restricted", he said. There is hope for foreign participants, as Simon Zhang, a senior consultant at our Shanghai office points out: "Power industry reforms will hopefully be completed five to 10 years from now and turn out to be more market-oriented. If so, this will be an improved landscape for foreign players."

Open for foreign investors

E.g.
- Healthcare
- Innovative technologies
- Luxury goods

Consider a Chinese partner

E.g.
- Food and agricultural produce
- Education and training
- Real estate

Luxury and leisure

If China's middle class will be the locomotive powering the economy in the next 10 years, the country's millionaires will be the "Lear jets" for the luxury markets. China is now home to over 300,000 millionaires – and this number is expected to double by 2011. China already ranks fourth-largest in the world in terms of numbers of millionaires, behind the US, Japan, the UK, and Germany. What's more, China has more than 100 billionaires (according to Hurun. Forbes counts "only" 66 billionaires), second only to the US. That's the kind of wealth luxury product makers are after. While there may be only around 200 privately-owned yachts in China now, Shanghai alone will have 1,000 yachts by 2010, and 10,000 by 2020, according to the Shanghai Association of Shipbuilding Industry. Coastal cities (Qingdao, Dalian, Shanghai, Zhuhai, etc.) are busy building yacht docks and production plants. For luxury goods makers, China is and will be the place to be.

The demand for better and more varied leisure facilities is bound to expand. "If I had USD 20 million, I'd invest in a ski resort", says Edoardo Bertolani. China already has over 200 ski resorts, receiving 4 million skiers annually. More resorts are now being built in China's northern provinces. By comparison, the US has more than 600 ski resorts, serving 60 million skiers. China aims to catch up, Bertolani added, "Many of those resorts need to be built from scratch – including slopes, hotels, restaurants, ski-lifts, snow canons and so on. These are large investments, but the opportunities are just too promising." The foreign invested Burton Qiaobo Mellow Snowboard Park will serve Beijing's young snowboarders. The rise of leisure will also provide opportunities for various spin-off industries and services, such as tourism, leisure wear and hobby activities.

Serving the masses

The pressure to perform well in school is increasing for Chinese children and younger adults. Educational services are tapping into this segment as families place great importance on their offsprings' education. China already has more than 18,000 private schools, including private universities, private high schools, vocational/technical training institutions and primary schools. Many private universities help to make up for the shortcomings of both the official system and underachievers. The ICB University in Beijing, for example, helps Chinese students overcome critical high school exams that they must take to qualify for university. Language schools (especially for learning English) are also making headway in China. Among the most successful and prominent examples are Wallstreet English and English First (EF). There is room for further educational concepts and institutions. Again, rising affluence coupled with a perception of competition and a need for higher qualifications will drive demand not only in large but also smaller cities in China.

Further articles recommended for reading from www.InterChinaConsulting.com

Playing it Safe, China's Increasing Awareness of Labour Safety

Labour safety arises as a key challenge for companies in China. It is high time that foreign companies implement safety practices that comply both with Chinese law and with corporate global standards.

By Jan Borgonjon (InterChina), Sept. 2008

China's Standards System: You've Got to Be in it to Win it.

The uproar over China's need to improve the quality and safety of its products has died down somewhat since the scandals of 2007. But the country's need to raise its standards to international levels remains a hot-button issue. We examine the current status of the standards-setting process in China and suggest strategies foreign companies can use, such as lobbying, to help influence this vital and complicated factor in the business environment.

By Deng Sanhong (InterChina), August 2008

As businesses expand in China, they require more support services, such as call centers. China has more than 6,000 call centers, compared with more than 50,000 in the US. "Investing in call centers and back-office support for domestic marketing and after-sales support activities could be a great idea as major retailers and producers of consumer goods look for ways to acquire and support new customers", says Hoffmann.

So far, India has outperformed China in providing global support for customers of US and European companies due to its larger population of fluent English speakers. However, this market is growing at a rapid 20 – 30% p. a., and China already employs half as many call center staff as India. Good examples are Teleperformance, launched in 2006 in Beijing, and China Telecom, which has call center services in most major cities in China.

Conclusion

Which of the above opportunities will yield the biggest bang for your buck? Among our consultants, retail, healthcare, innovative technology and education services ranked the highest. Although we believe that the opportunities identified above will experience strong growth and long-term success, foreign companies may not have access to all of them. Some are "open" to foreign investors, others less so. In industries like real estate, food products, education and training, a strong local partner will often be required. Investors lacking in-depth market knowledge, experience in local business practices and the right relations with local officials may run into problems. But local partnerships also can involve difficulties and complications. That is always the case when dealing with China. Many of China's major opportunities are just unfolding now, and this trend is likely to accelerate in the next three to five years.

As InterChina president Borgonjon puts it: "If you look back over the past 20 years and see how much China has changed, then the next 20 years will be even more exciting and offer even greater opportunities."

Contributed by
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Edited by Kazuhiko Shimizu, Shanghai-based writer and editor.

For further information, please visit
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China Challenges – Take Two

What are the main challenges foreign companies face in China? China Focus talks to Chambers and Institutions about their member's current headaches.

After the success of Fiducia's "China Challenges 2008-survey, China Focus asked for an update. While product quality and the introduction of new laws (Labour Contract Law, Unified Income Tax Law) were considered the biggest business challenges in January, the centre of attention has moved to HR issues, the way China implements these laws and informs about regulatory changes.

HR issues are the biggest China Challenge

"The most important challenge in China right now is to find and retain talented and qualified staff", says John Shou, Managing Director of the Canada China Business Council (CCBC) Beijing, and hits the nail on the head. The general tenor amongst the survey participants is that the attraction and retention of skilled staff pose the biggest hurdles for successful foreign business operations on the mainland.

Or as Leif Goeritz, Managing Director of the German Centre for Industry and Trade (German Centre) Beijing, puts it: "It is very difficult to find good people and very easy to lose them." Other HR issues such as the new Labour Contract Law are also causing concern amongst the international business community in China.

"The combination of a shortage of skilled management and workers on the one hand, and the very strict new labour law regime on the other, has brought about many negative remarks", says Christian Guertler, President of the Swiss Chinese Chamber of Commerce (SwissCham) Shanghai, even though most foreign companies, including SwissCham's members, traditionally support strong employee rights and labour contracts. "The main problem is that it is very difficult now to fire someone who is blatantly non-performing or even cheating, unless you catch them in the act", Guertler continues.

Michael O'Sullivan, Secretary General of the European Union Chamber of Commerce in China (EUCCC) Beijing, who reports a mainly positive response from EUCCC members towards the law, sees a different problem: "[The new labour law] was generally much needed in order to improve the labour situation in China, but the crucial question is, how and to what extent will it be enforced."

Lack of information and unclear implementation rules

The often short-noticed and sometimes random way by which China announces, enforces and implements laws and regulations is certainly a hot discussion topic amongst many chamber representatives. One example is the stricter implementation of business visa issuing rules which has caused "a lot of frustration and even anger amongst our member companies who were caught by surprise", says Wolfgang Ehmann, Executive Director of the German Industry and Commerce (GIC) Hong Kong. The uncertainty and "lack of information or real guidance on how the visa rules are to be implemented or handled" is also an issue for Austrian companies in China, according to the Austrian Trade Commission in Guangzhou. Ehmann adds: "It is a bit of a joke that China is trying to attract foreign investors – and has done so very successfully for more than 20 years – and now that those investors are here, they are not allowed to travel to their plants."

Most participants agree that China's handling of this particular issue borders on a PR disaster which "particularly harms smaller companies who cannot get their foreign supervisory staff into the country", as Goeritz points out.

The unclear implementation guidelines for the Unified Income Tax Law – which still leaves some foreign companies guessing whether they qualify for tax benefits or not – and the varying interpretations of laws by different municipalities or courts pose similar problems.

Shou mentions the difficulties that some CCBC members in the mining industry are facing due to the vague guidelines on exploration and development permits: "The interpretation comes down to the respective provincial authority which can be very arbitrary".

Guertler takes the same line in regard to court rulings: "It would be very beneficial for China if the courts followed the actual written law more strictly and adhered less with arbitrary decisions made by regional governments."

Divided opinions on product quality issue

Product quality was mentioned as the top China Challenge for foreign companies in Fiducia's survey.

Thaddaeus Mueller
Business Development Manager
Fiducia Management Consultants

While some participants disagree with this label by stating that the issue was “overrated” or “a media hype” and “don’t think that there is any such thing as a problem with quality standards inherent to China” others warn that “quality control tools which are taken for granted in Europe are totally missing here” or see a challenge in “finding high-quality suppliers that don’t just produce a good first batch of products”. This is also reflected in the overall costs of operations: according to Goeritz, “some of the cost benefits you get from purchasing from China are offset by substantially higher costs in quality assurance measures”.

O’Sullivan points out a different kind of quality problem: “Quality is an issue in terms of counterfeiting […]. Fake products and brands are difficult to trace which puts consumers at risk no matter how well you control your supply chain.” And while a legal structure against IPR violations is in place, “there is no evidence of a reduction in the number of counterfeit cases”. The root of the problem is familiar: enforcement and implementation of the law.

‘Go West’ more than a short-lived trend

Contrary to the quality issue, there is widespread agreement that the movement of companies from the Eastern Belt or the Pearl River Delta (PRD) towards less developed regions in Western and Central China is more than a short-lived trend. The reasons behind it are multifaceted, but one main motive is that the richer regions target the abandoning of labour-intensive and high-polluting industries. One participant says: “You can hear it from every politician in Guangdong province that they are more interested in attracting financial service providers than having another shoe production facility.”

And while other first-tier cities such as Beijing or Shanghai also become increasingly selective about welcoming foreign investments, there is growing consumer demand in the West. “The CCBC just completed a ‘Go West-mission’ to explore the opportunities, and the demand is there, the market physically exists”, says Shou, and continues: “When we talk about the automotive market, people only think of Shanghai and Beijing.

But the third largest private car market in China is in Chengdu”, Remo Luetolf, Board Member of SwissCham Shanghai and ABB’s Head of Automation Products for North Asia, underlines the importance that China’s west already has for some foreign companies: “It’s a very large market with interesting resources. We have a number of sales offices in the western regions, but also production facilities. Actually, ABB’s largest transformer factory worldwide is located in Chongqing.”

Ehmann identifies increasing costs as the main reason for the moving of Hong Kong companies from the neighbouring PRD: “The affected local companies are operating on paper-thin margins and any change in their cost structure can make them go bankrupt.” While the first choice for newcomers usually is a set-up in Beijing or Shanghai, some are also considering moving straight to the west. This only makes sense, however, if “they have enough China experience and the right people to do the pioneer work”, as one participant says.

Environment and market entry

While some foreign companies have benefited from big infrastructure projects related to the Olympic Games, others are affected by regulations concerning traffic logistics. “Everyone is trying to work around the restrictions” concerning the transportation of hazardous goods or the type of vehicles allowed in Beijing, but “there is no streamlined information process about the changes that will be put in place”, says Goeritz.

The challenge of environmental regulations is mentioned by O’Sullivan who sees the main problem in the low penalties and the inconsistent enforcement: “One factory is complying but the one next door is not”, he says. “International companies tend to comply because they have a reputation to lose.”

Entering the market is a challenge in itself. Since most mistakes are made at the entry level, “newcomers have to remain focused on a proper market entry”, says Guertler. “They need a thorough assessment of risks and opportunities, make a strategic decision and follow through with it.”

Future China Challenges

According to the chamber representatives, future challenges for foreign companies in China are manifold. While some respondents mention environmental issues such as pollution or sustainability, others point out the increasingly level playing field between local and international competitors. One statement prevails, however: “China is still a business opportunity, if you are well-prepared and know what you are doing.”

By Thaddaeus Mueller
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Keep up Corporate Governance Standards

How Executive Search Firms Add Value Amidst the Global Crisis

By Karen Winton, IMC Media Hong Kong

In the face of the global financial crisis, executive search firms have an important role to play in upholding corporate governance standards through identifying the best candidates to enhance a client company's financial and business performance, and working closely with the client to understand its business needs.

According to Steve Watson, International Chairman, Stanton Chase International, among the many corporate governance issues that executive search firms must be keenly aware of are accounting standards, good financial management and audit, integrity and business ethics, communication skills and the ability to be transparent when communicating, and independence in terms of being without bias.

Executive search firms must also engage in strong reference checking to ensure candidates' integrity, ethics, independent judgement in their thinking and decision-making, and be aware of the latest corporate governance trends.

"What's so important to our success, our clients' success and a successful search is the upfront knowledge and understanding that we have with our clients", Mr Watson said. "To do this, first we form a very long-term perspective with our clients; we think of them as partners. At Stanton Chase, we tend to do more work with fewer clients and we get to understand the clients, their culture, their business practices and their business model."

"It's important to us to align ourselves with the client at the front end of a search as far as matching exactly the experience and credentials required, the client's strategy, our understanding of who is on the board and the make up of the senior management team", he said. "This means that whether the search is for a director or senior level executive, we are aligned with the client's governance practices, their strategy and their needs, and we can find the right skill-sets for where the client is in its business cycle as well as its particular needs at that time."

But this close relationship and alignment of goals also means that executive search firms bear some of the responsibility in the event that a search goes wrong. And there are plenty of recent examples where this has been the case. Recent high profile victims include Robert Willumstad who lost his job as chief executive of global insurance giant AIG after only three months. The CEOs of financial institutions Wachovia and Washington Mutual also measured their tenure in weeks.

Steve Watson
International
Chairman
Stanton Chase
International

What can executive search firms do to minimise the shortness of such tenures? Often, the problem is a mismatch in what Mr Watson termed "culture fit", which means that from the executive search firm point of view, first understanding a client's corporate culture is key to ensuring a good culture fit with the ultimate candidate. A mismatch in culture fit can mean not putting forward someone who might otherwise have been the best candidate.

A second area in which executive search firms can ensure a successful placement is in negotiating a compensation package that is both fair and appropriate to the client but also attractive to the candidate and fits their long-term needs.

In-depth reference checking is also essential. "We believe that the best indicator of future performance is what someone has done in the past, and we've developed an extensive independent reference checking process on our final candidates that we provide as a service to clients", Mr Watson said. Such background checking is the responsibility of both the executive search firm and the client. While many clients use a third party to carry out credit or criminal checks or drug testing as part of their human resources remit, search firms are turning increasingly to the use of psychological assessment tools as part of background and reference checking.

"We have relationships with several third party psychological assessment organisations including MPA, Birkman and SHL that do such testing and if a client doesn't have their own assessment testing we will make recommendations to them", Mr Watson said.

He cited one client who gets two assessments on every candidate they're interested in, one a web-based assessment and the second a three to four hour written and oral corporate psychological assessment. Assessment testing has also aided a Stanton Chase client who could not pick between two equally suited candidates for a C-level position. Both candidates agreed to a psychological assessment administered by a third party and that assessment testing ultimately determined which candidate was selected for the position.

"Much of the rationale behind the increasing use of psychological assessments comes back to the importance of making sure that the candidate is right in terms of meeting the client's corporate governance standards, corporate culture and his or her fit with the existing management team chemistry", Mr Watson said.

The fourth element that helps Stanton Chase make sure the candidate is the right fit for the job is its "retention regimen". After the candidate starts working, the firm stays in contact with that person for an extended period of time, and during the first 30, 90 and 180 days of employment, it acts as a third party objective participant in communications with the candidate on how the job is shaping up.

"Often if things are not on track the candidate will share with us some things that they may not share with the client", Mr Watson said. "Many times, mismatches where executives derail are due to communication problems and we can help by communicating back to the client issues that can easily be addressed that they may not be aware of. Our relationship is with both the candidate and the client but we have a partnering philosophy with our client. So after we place someone we will communicate with the client on their perspective and with the candidate. Because of this, we have enjoyed a good track record with our candidates staying with their employers for a longer period of time", he said.

Ultimately, it is the culture fit between candidate and client that matters most. Phone screening a candidate can identify their experience appropriate for the position, their business credentials, accomplishments and educational background. Meeting a candidate face-to-face over several hours allows a consultant to discover how they get things done, what business models they are most successful in, how they communicate, their management style, what motivates them and their passion and drive, all of which are factored into a good culture fit.

"The knowledge we share with our clients is the value-add we bring to the table, understanding not only their culture fit but also the strategic direction they are taking", Mr Watson said.

"It is one thing to bring in a candidate who can fit yesterday's world with the client but tomorrow's world may be very different. So knowledge of the client's strategy and where they're heading helps us to bring in that right candidate and the right fit for the client."

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Revised Tax Regulations of the PRC

On November 10th 2008, Prime Minister Wen Jiabao signed the Orders of the State Council to promulgate respective amendments to the Interim Regulations of the PRC on Value Added Tax, the Interim Regulations of the PRC on Business Tax, and the Interim Regulations of the PRC on Consumption Tax. These newly amended regulations will come into effect on January 1st 2009. All three amendments are cooperatively drafted by the Office of Legislative Affairs of the State Council, the Ministry of Finance and the State Administration of Taxation.

Since July 1st, 2004, upon approval of the State Council, dozens of cities as old industrial bases in the Central and Northeastern Regions carried out trial reforms on VAT. The State Council initiates this round of revisions to reform the value added tax system throughout the country and respond to international financial crises by expanding the domestic demand. However, due to the limitation of time, this round of amendments does not affect the tax preferential policies adopted by the state. All the three revised regulations entitle the State Council to prescribe exemption and reduction of tax items.

Interim Regulations of the PRC on Value Added Tax (2008 Revision)

Issued By State Council
Subject Value Added Tax
Promulgated on November 10th 2008
Effective from January 1st 2009
Source httpwww.chinalaw.gov.cn

The main goal of the Interim Regulations of the PRC on Value Added Tax is to transform China's VAT from a production-oriented tax into a consumption-oriented tax. According to the previous Interim Regulations of the PRC on Value Added Tax which was enacted in 1993, input tax on purchases of fixed assets was not allowed to be deducted from the output tax, which would not spur the enterprises to commit themselves to technology improvements by purchasing new manufacturing equipment, machinery and other fixed assets. Under article 10 of the new Interim Regulations of the PRC on Value Added Tax, this obstacle has been removed, and therefore an incentive to further investment in fixed assets has been provided for.

Following is a list of the main changes stipulated by this revised regulation:

1. In the past, input VAT on purchases of fixed assets was not allowed to be credited against the output VAT. After this amendment, the amount of VAT (tax on products) included in price paid for purchasing machinery and equipment can be deducted from a company's output VAT.

2. However, the amended regulation stipulates that the input tax on taxpayers' selfuse consumables cannot be offset against or be deducted from the output tax amount.

3. The tax rate for the VAT on small-scale taxpayers has been reduced from 6% to 3% by this new revision, in order to enhance the development of medium and small sized enterprises and to promote employment.

4. The new regulation embodies some current policies on VAT by absorbing them as new clauses. Meanwhile, equipment and machinery required to be imported under contract processing, contract assembly and compensation trade is not exempted from VAT anymore under the new regulation.

5. In order to meet the actual needs of the taxation practice, and for the purposes of facilitating tax payments, the previous 10-day period for filing tax return of the VAT has been increased to 15 days. In addition, the revised regulation stipulates how to identify withholding obligors for taxpayers who are outside the territory of the People's Republic of China. The time when an obligation to withhold the VAT arises, the payment places for withholding obligors and the time limit for withholding obligors to deliver payment are also clarified by this recent amendment.

Interim Regulations of the PRC on Consumption Tax (2008 Revision)

Issued By State Council
Subject Consumption Tax
Promulgated on November 10th 2008
Effective from January 1st 2009
Source httpwww.chinalaw.gov.cn

Given the correlations among the VAT, Business Tax and Consumption Tax, the state also amended the regulations on Business Tax and Consumption Tax accordingly. The regulation on Consumption Tax is amended mainly in regard to the following two aspects:

1. The regulation is updated according to the relevant adjustment policies that have been promulgated since 1994.

2. To achieve a consistency between the regulations on VAT and Business Tax, the period for filing tax return for the Business Tax has been increased to 15 days, and certain adjustments have been made to the clauses involving tax payment places and other relative issues.

Interim Regulations of the PRC on Business Tax (2008 Revision)

Issued By State Council
Subject Business Tax
Promulgated on November 10th 2008
Effective from January 1st 2009
Source httpwww.chinalaw.gov.cn

The regulation on Business Tax has been modified regarding the following four aspects:

1. The place for the payment of the Business Tax has been adjusted. Previously, taxpayers providing taxable services were required to report and pay the tax to the competent tax authorities at the place where the taxable services have taken place. Now, they are supposed to file a tax return to the competent tax authorities at the place where their offices or places of residence are located.

2. The turnover of the taxpayers who are engaged in the re-lending businesses shall be the total price and all other expenses receivable from the provision of taxable services. Under the old regulation, the turnover for re-lending businesses was considered to be the balance of interest on lending less the interest on borrowing.

3. Due to the difficulty of elaborating the scope of charge for the Business Tax, the revised regulation deletes a column of "Scope of Charge" in the Business Tax Taxable Items and Tax Rates Table, which was the annex to the previous regulation and leaves it to detailed provisions by the Ministry of Finance and the State Administration of Taxation.

4. To achieve a consistency between the regulations on VAT and Business Tax, the period for filing tax return has been increased to 15 days. The revised regulation also stipulates how to identify withholding obligors for taxpayers who are outside the territory of the People's Republic of China. When an obligation to withhold the Business Tax arises, The Business Tax payment places for withholding obligors and the time limit for withholding obligors to deliver tax payment are also clarified by this amendment.

China Legal Briefing by Wenfei
Beijing, 1st December 2008

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M&A Deals Rarely Proceed Smoothly

Stefan Kracht, Executive Director of Fiducia's China Consulting team, talks to China Focus about industrial M&A in China.

Stefan Kracht
Executive Director
Fiducia China
Consulting

CHINA FOCUS (CF): How do you assess the current situation of the Chinese M&A market?
Stefan Kracht (SK): Despite the Sub-prime crisis in the US the M&A sector in China observes constant growth, while in addition Private Equity (PE) investments are gaining importance. There is stable growth, particularly in the raw material, steel, engineering and consumer goods industries. However, the focus is shifting away from overseas transactions towards the domestic market. Today, two thirds of all M&A transactions in China are completed within Chinese borders.

CF: How have the legal conditions concerning M&A in China developed in recent years?
SK: All in all the legal security is increasing which is good for foreign investors. A step in the right direction for example is the introduction of different M&A and PE laws that help solve disputable questions related to foreign investments in China. There are, however, less positive developments such as restrictions and additionally required approvals on investments in certain sectors.

CF: What economic factors drive M&A activity in China in particular?
SK: By now there is an abundance of attractive companies in China that have reached critical mass and are interesting acquisition targets. This is of particular interest to foreign investors that aim for quick market access and want to reach new customer groups. Yet Chinese buyers profit from the increase in potential target companies. Chinese investments in foreign countries are however mainly executed by state companies and -funds in the context of securing resources and energy supply.

CF: M&A markets in Europe and the US are currently taking a break. How does this affect the Chinese market?
SK: The interest of foreign corporations to buy equity stakes in China has been weakened drastically by the downturn of the global financial markets. In addition, the buying power of listed Chinese businesses is sinking rapidly since their stock prices have dropped by approximately 70% over the last twelve months. At the same time many private companies are on offer because their margins have turned negative due to high competition, tax increases and rising costs for commodities, real estate and labour.

CF: What do buyers currently focus on?
SK: Securing market share in different quality and customer segments remains essential. Furthermore, investments into businesses with strong focus on domestic sale in China are favoured, less so investments in export-oriented manufacturers.

CF: What are the key challenges?
SK: The two biggest challenges for foreign investors are determining the exact value of the company and the process of negotiating the acquisition price. The main reasons for this are the lack of accounting data as well as revenue and profit projections that are difficult to assess and prove. Another factor is the fundamental deficiency of adequate external financing resources in China for local Chinese companies. By the end of 2007 the unmet demand for growth capital of Chinese SMEs was more than RMB 260 billion.

CF: How much do cultural differences matter when negotiating with Chinese partners?
SK: Chinese owners often negotiate less structured and very opportunistically. It may happen that details that have already been set out in writing are renegotiated at a later stage. It is therefore advisable for investors to always keep several options open and have alternative targets at hand. Moreover, a generous amount of time should be taken into account for the negotiation process and following approval, with deal negotiation and execution often taking 6–12 months.

CF: Can you describe a "typical Chinese" M&A transaction?
SK: An M&A deal in China rarely proceeds smoothly from beginning to end. During the negotiation stage difficulties may appear due to the shareholder structure which is often made up by family members, state investors or higher ranking members of the Communist Party. Moreover, important corporate departments like Key Accounts, Human Resources and Accounting are often completely controlled by the owner which can result in a post-merger information vacuum, the loss of trade secrets or employee loyalty issues. Paying M&A transactions almost exclusively with cash is another "typical Chinese" thing to do which leaves no chance for 'leveraged buyouts'.

CF: What are your expectations concerning the development of the M&A market in China?

SK: In the medium run a constant growth of the M&A market in China can be expected, based on the necessary consolidation of many highly fragmented industries. The maturity process within the M&A sector will only enhance these effects.

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Book Review: Supraplanung

"Non-perceived Dimensions of Thinking in the P.R. of China" by Harro von Senger

China is an enigma to many western observers. They see ultramodern skylines and underdeveloped villages, multimillionaires and migrant workers, a booming economy and ecological devastation. But what they do not see are democratic reforms following western models.

Why is China becoming a global power despite of all this contradictions? Has Confucius resurrected? Has China adopted Manchester capitalism or is the undeniable economic success due to pragmatic policy?

The Swiss jurist and sinologist Harro von Senger, university professor in Freiburg, Germany, strictly opposes that kind of wild guesses. He warns westerners about judging China on the mere ground of visual impressions and random approaches. Instead of that he accepts at face value what Chinese politicians refer to as the foundation of their thinking and acting.

Professor von Senger is uniquely qualified for this Herculean task. He is one of the very few foreigners that, already more than 30 years ago, studied Chinese history and Marxism in China. Since, he masters the

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Prof. Dr. iur. Dr. phil. Harro von Senger

Harro von Senger, citizen of Geneva (Switzerland), was born in 1944. During 8 years, he visited the gymnasium of the Benedictin Coventry in Einsiedeln where he graduated in 1963. From 1963 till 1969, he studied at the Law Faculty of Zurich University where he obtained his title of doctor in law in 1969 with a doctor thesis on "Contracts of Sale in Traditional China". From 1969–1971, he worked at two Law Courts in Zurich/Switzerland. In 1971 he passed the lawyer's examination of the Canton of Zurich. From 1971–73, he studied at the Law Faculty of National Taiwan University (Taiwan), from 1973–75 at the Law Faculty of Tokyo University (Japan), and from 1975–77 at Beijing University, Faculty of History and Faculty of Philosophy. 1981 he obtained his second doctor title in Philosophy (major: Sinology) at Albert-Ludwigs-University, Freiburg i. Br. (Germany) where he is since 1989 Professor of Sinology at the Faculty of Philosophy. From 1981–89, he was scientific collaborator of the Swiss Institute of Comparative Law (Lausanne), since 1989 he is expert in Chinese law of the same Institute. Since 2001 he is teaching at the Chief of Staff School of the Swiss Army. His book "Stratagems" (volume 1), the first Western book on the subject, was translated into 12 languages, also into Chinese and Uighur. He has published several books on law, for instance "Introduction into the Chinese Law" (in German language), Munich 1994. His newest book "Supraplanung" (Munich 2008) deals with the Chinese concept "Moulüe" hitherto unknown in the West, puts the Chinese Art of Cunning in a larger context and introduces Sinomarxism which is largely ignored by occidental China watchers.

www.36strategeme.ch – www.supraplanung.eu

Chinese language, he is able to read official documents in their original version. Furthermore he is the author of a global bestseller on the 36 ancient stratagems, the quintessence of the Chinese Art of Cunning (cf. www.36strategeme.ch).

In his recently published book titled *"Supraplanung. Unbekannte Denkhorizonte aus dem Reich der Mitte"* von Senger summarizes his comprehensive knowledge.

"This man knows everything about us" my Chinese friend exclaimed after she had read the book.

But why does a renown expert like Professor von Senger reckon with a negative reaction on his statements in western countries? That is because in the largest chapter of his book he strongly disagrees with public opinion concerning the present and future importance of Marxism in China. Quite contrary to the latter he argues that a communist society is still a long-term objective of the Chinese Communist Party, and that Marxism still plays a decisive role in the thinking of the top cadres and in the education of the elite to-be.

Life is a result of contradiction

What most readers at first sight might take for a provocative or even for an absurd statement, at second sight turns out to be a long overdue revision of the prevailing western image of China. Harro von Senger suspects that many westerners lack theoretical knowledge of Marxism and simply equate it with the scarcely effective planned economy. But planned economy is only *one* aspect of Marxism. Its "living soul" is the dialectical materialism with its dynamic world view. With this the German philosopher Friedrich Engels, the Russian revolutionary Lenin and the Chinese Marxists all agree.

So properly understood, Marxism is not an inflexible economic theory, but first and foremost a guidance to action. Until now the Sino-Marxists adopt Mao Zedong's famous essay "On Contradiction". Mao suggests that life is a result of contradiction. Among them there is in every specific era a principal contradiction which is to be identified and to be resolved by the government. At the present stage the principal contradiction is one between the "ever-growing material and cultural needs of the Chinese people and the low level of production".

In order to resolve this principal contradiction it requires comprehensive planning with consideration of long term goals. To describe this way of thinking Harro von Senger coined the term "Supraplanung" since in German until now an adequate term for the Chinese word "moulüe" meaning among others a planning horizon above (= in latin: supra) the time span of common Western strategical thinking did not exist.

In accordance with that the Beijing government aspires to generate a "modest welfare" for a billion residents until 2021 and the per capita GDP of an emerging nation until 2049. What westerners often mistake for pragmatism in fact is the flexible reaction on the ever-changing circumstances on the way to this never-changing goal. In order to achieve it the Chinese government also applies the traditional 36 stratagems – not only to advance itself but to find out "hidden agendas" behind the action of others.

Harro von Senger for the first time disclosed the intellectual foundation of the current Chinese top cadres. Since he gives many examples and quotations, his style is very clear.

As soon as "Supraplanung", Sinomarxism and stratagems are understood, western observers can see the (literally) red thread that is running from Mao's beginnings in the thirties of the last century until today, and he gets aware of the fact that the individual aspects from the economical, political and social field form almost by itself an image of modern China.

Apart from the fact that after reading von Senger's book China's attitude becomes more comprehensible

Summary

The book "Supraplanung: unbekannte Denkhorizonte aus dem Reich der Mitte" (Supraplanning: Non-Perceived Dimensions of Thinking in the People's Republic of China) In this book, three main topics are introduced:

- **Moulüe supraplanning:** a concept unknown in the West, only vaguely observed but not fully understood by the US-top-sinologist Ralph D. Sawyer; it is a level of thinking above the highest level of thinking (= the strategic thinking) attained in the West; for instance: at the end of the 20th century / beginning of the 21st century, the Chinese Communist Party has proclaimed two 100-years-targets; which Western author has ever mentioned this concrete example of supra-planning of the highest Chinese authority?

- **Ma-Lie sinomarxism:** completely overlooked in all Western countries, especially in the United States (where, for instance, the Harvard [!] -Professor Samuel Huntington in his "Clash of civilisations" dreams about a "Confucian [!] -Islamic coalition" !).

- **Zhimou – The Art of Resourcefulness:** not really understood in the West, the Chinese Art of Resourcefulness is put in this book into a larger context.

Carl Hanser Verlag
Munich 2008
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and predictable, – should not each efficient critic be based on the knowledge of the counterpart?

To me as a sinologist "Supraplanung" by Harro von Senger is the most important and informative book on China which was published in the last years if not in the last decades.

Review by Dr phil (sinology) Carmen Paul

A short version of this review was broadcasted by the German radio station SWR in August 2008.

www.supraplaning.eu/de/rezensionen.htm

5th Economic Impulse Schaffhausen '08

"China and Europe: learning from each other"

Each year the Economic Impulse Schaffhausen conference focuses on the impact of globalisation on business and the economy. This year's focus was on the economic interplay between China and the rest of the world, and in particular Europe and Switzerland. The organisers invited five well reputed speakers to contribute their views via a lecture and panel discussion on the subject of China and Europe: learning from each other.

The event, held in the auditorium of Schaffhausen's Municipal Theatre, attracted about 650 guests from the world of business and politics in Switzerland and neighbouring southern Germany, who wanted to know what effects the development of China as an economic powerhouse will have and what opportunities may arise. The conference offered brief lectures by each of the five speakers and a panel discussion. Both, the lectures and the subsequent debate included controversial and highly insightful contributions and captivated the audience from start to finish. Guests and speakers continued the lively discussions at the traditional cocktail reception, which concluded the conference.

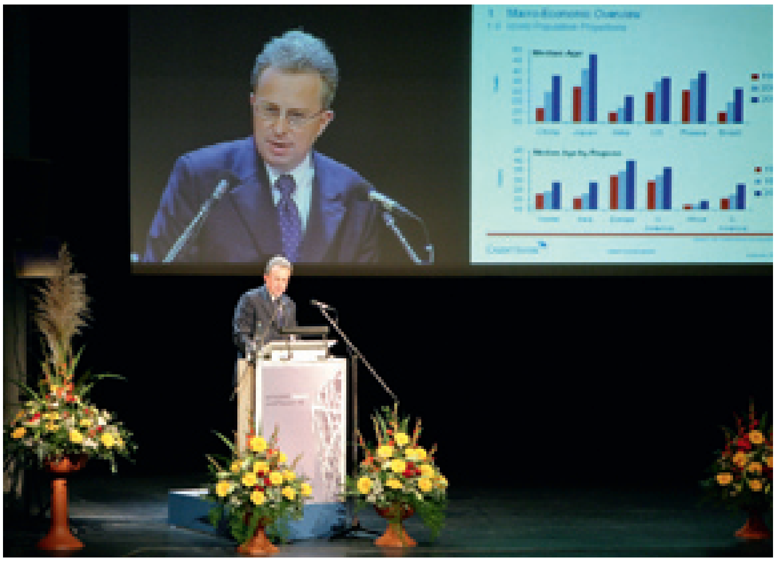
Economic Impulse Schaffhausen 2008 on September 19th marked the fifth year of this landmark event. The first conference in 2004 was dedicated to *Switzerland and Germany: neighbours' perspectives*. In 2005 the topic was the impact of globalisation on the labour market and a year later the focus turned to *Politics and Business: the eternal struggle*. In 2007 the title of the event was *Business relations under pressure: Switzerland and the EU*. Economic Impulse Schaffhausen is organised by the Canton Schaffhausen.

Federal Councillor Micheline Calmy-Rey: "Switzerland considers China's active involvement in numerous international institutions."

Top speakers

Economic Impulse '08 succeeded in bringing together a particularly diverse panel of speakers, able to cast light on the topic of the day from political, business and economic as well as social perspectives. Federal Councillor Micheline Calmy-Rey, who heads the Swiss Department of Foreign Affairs, came directly from a Federal Council debate. Participant in the panel discussion was Ambassador Pierre Combernous, Director of Department II at the Department of Foreign Affairs (Asia / Oceania) in the Swiss capital, Berne.

The other speakers were: Prof. Dr Hong Zhou, Director of the Europe Institute at the Chinese Academy of Social Sciences in Beijing, Urs Schöttli, Far East correspondent of the leading Swiss daily newspaper NZZ, Zhiqiang Zhang, Supervisory Board member of Swiss corporation Georg Fischer AG and Head of Nokia Siemens Networks (Beijing) Ltd., Greater China Region and Dr Urs Buchmann, Head of Credit Suisse China. The panel discussion was chaired by Erich Gysling, TV-presenter and Editor-in-chief of the Swiss "Weltrundschau" program and himself an expert on Asia.



Dr Urs Buchmann: "The Chinese want luxury goods made in Switzerland."

Municipal Guest: Shunde

This year's Economic Impulse was enhanced by the presence of Shunde from Guangdong province. Shunde has one of China's highest per capita GDP figures and is a glowing example of the country's economic development. Preceding the event, Shunde's Deputy-Mayor, Ganlin Wang, visited Schaffhausen's Mayor Marcel Wenger. Representatives of Shunde's Investment Promotion Bureau attended the conference and were able to showcase their city as a potential investment zone for Swiss businesses. Ganlin Wang was delighted with Schaffhausen and its "small city". "We feel comfortable and welcome here", underlined the senior representative of the booming commercial region Shunde.

Zhiqiang Zhang: "We should all seize the opportunities which globalisation offers."

Prof. Dr Hong Zhou: "China and Europe already have well-developed models of collaboration."

Opening address by Governing Council and Chinese Consul General

Dr Erhard Meister, Member of the Governing Council of Canton Schaffhausen and Head of the Department for Economic Affairs welcomed conference delegates and spoke of his conviction that China's influence on the European economy and on businesses will increase and that relations between Switzerland and China will develop strongly in the years ahead. As a result, it was the right time to deepen the understanding of China; the basis on which learning from each other could unfold. Precisely this was the aim of the Economic Impulse Schaffhausen 2008, he concluded.

Li Xiaosi, Chinese Consul General in Zurich, responded to Erhard Meister's opening address. He greeted the conference in the name of the People's Republic of China and explained that the Chinese government placed considerable value on its positive relations with Switzerland. Thanks to the efforts on both sides, cooperation between China and Switzerland have developed strongly in all areas, according to Li. As a result, Switzerland was seen in China as an important and respected country. The volume of trade between China and Switzerland has grown by 30% in the first half of 2008, it was reported. The Consul General was also pleased that both, the government and the people of Switzerland supported the excellent relations between the two countries. Similarly, China appreciated the efforts of Federal Councillor Micheline Calmy-Rey, who attended the conference, in developing mutual understanding between China and Switzerland and in maintaining contacts and trust with leading Chinese politicians. Li confirmed his belief that the 2008 Economic Impulse Conference would represent a major contribution to the increase of the mutual understanding.

Urs Schöttli: "Made in Switzerland is very popular in China."

First impressions

The Conference theme was introduced by Thomas Holenstein, Delegate for Economic Promotion of Canton Schaffhausen and Chief Representative of Switzerland Trade and Investment Promotion for China. His presentation showed the most important images of each other held by Europe and China. In Europe, China is seen as the factory of the world, characterised by cheap labour and also seen as the market with a large sales potential. In China, Europe is seen as a guarantor of quality, the cradle of industry and the most popular tourist destination. In Switzerland, there are also frequent references to the contrasts in living standards in China. Indeed, there is a difference of up to 600% in per capita income in China. However, across the countries of Europe the gap in the standard of living between rich and poor is much more pronounced. To illustrate this point, Holenstein compared Switzerland and Moldova. Switzerland has a per capita GDP of USD 55,320. In Moldova, the equivalent figure is just USD 930. However, it is important not to overlook one major difference, namely that the contrast in living standards is, in the case of China, a gulf within one nation, whereas Europe consists of forty different countries.

Highly interconnected

Holenstein went on to address the high degree of interconnection in our life today. In Europe, life is shaped by products *Made in China*. Equally, in China the perception is not simply that the "Birds Nest" was created by Swiss architects; in fact, *Swiss Made* has already achieved almost the status of a brand. The connections travel in both directions.

The first speaker was Urs Schöttli, Far East Correspondent of the leading Swiss daily newspaper NZZ and a veteran commentator on China. His previous postings as correspondent include Delhi, Hong Kong, Beijing and now Tokyo. According to Schöttli, we are living at the beginning of an Asian century. The most significant event of the past fifteen years was the return of China to the global economic stage. In the last fifteen years, up to 500 million people in China and India had joined the middle class. Schöttli spoke of the opportunities which present themselves for Switzerland. After all, once basic needs have been met, people seek for a little luxury and products "Made in Switzerland" are very popular in China. Schöttli also quoted the World Tourism Organisation in Madrid, which predicts that by 2015 eighty million Chinese will be able to afford holidays in Europe.

According to Schöttli, the future of China is in the transition from cheap production to high-tech and above all to brands. A consequence of this will be increased takeovers of European businesses by the Chinese. To illustrate the point, he quoted Head of State and Party Leader Hu Jintao: *If we want to have production processes and brands in China and are no longer able to obtain these via joint ventures, we will try to buy them.* This makes it all the more important for Europe to be open towards China, Schöttli underlined.

Expansion in both directions

Urs Schöttli was followed on the podium by Zhiqiang Zhang. He grew up in Beijing and studied in China and Canada. Zhang is the Head of Nokia Siemens Networks China. He has been a member of the Supervisory Board of Georg Fischer AG, based in Schaffhausen, for a number of years and is therefore a frequent visitor to the area. He has an excellent understanding of industry both in China and in Europe. Zhiqiang Zhang spoke about the process European businesses need to adopt when entering the Chinese market and also how Chinese companies establish operations in Europe.

According to Zhang, foreign companies must first and foremost be clear about what they want to achieve in order to be successful in the Chinese market. Key to that is asking the right questions – such as timing, strategy and the product itself. Is the venture competitive? Is management ready to take this step? There are many reasons why expansion into China can fail.

Switzerland. Trade & Investment Promotion

Switzerland. Trade & Investment Promotion (former LOCATION Switzerland) is the new brand to promote Switzerland as an attractive business location abroad. It is part of the worldwide export and location promotion network of OSEC. As Chief Representative China, Thomas Holenstein is in charge of promoting Switzerland in Greater China. The marketing activities are planned and implemented in close collaboration with the Swiss diplomatic representations in Beijing, Shanghai, Guangzhou and Hong Kong and consist of investment seminars, networking events, publications and numerous presentations all over China.

Thomas Holenstein in conversation with Federal Councillor Micheline Calmy-Rey.

However, if these basic questions are addressed properly, the risk is actually small.

There is also a lot of business activity in the opposite direction i. e. from China to Europe, it was pointed out. Fifty percent of the largest Chinese corporations believe globalisation is central to their growth capability. China's overseas direct investment has shown year-on-year growth of up to 50% and totalled to USD 30 billion last year. This trend will intensify in future. Zhang concluded his lecture: *When the winds of change are blowing, some build shelters and some build windmills.* We should all seize the opportunities which globalisation offers and not fear them.

The Chinese taste for luxury Made in Switzerland

Zhiqiang Zhang was followed by Dr Urs Buchmann, Managing Director and Country Head of China for Credit Suisse. Buchmann lives in China since 22 years. He also picked up on the topic of luxury goods. China has now passed the USD 2,000 per capita income mark. When this happens, consumption grows in importance, according to Buchmann. This, in turn, has a positive effect on Swiss companies such as IWC International Watch Company, based in Schaffhausen, which also contributes to Switzerland's trade surplus with China. Buchmann quoted Deng Xiaoping, who said it is better to allow only part of the population to become rich first. Deng recognised that growth impetus can only occur when a society moves away from egalitarianism and becomes one, which actively rewards the harder-working among its people and the most-talented.

People need to get used to the idea that in a few years, China will once again contribute 25% of the worldwide GDP, as Buchmann said. China is making its way back onto the world economic stage. The signs of this advance are also to be seen in developments such as the accession of China to institutions such as the UN and WTO. Buchman said: *Entrepreneurs in Switzerland have every reason to look to the future with optimism.* In his work, he experienced that Swiss businesses in China are relatively quiet. However, since the Swiss tend to be pessimists, this simply means that they are doing well in China.

Learn from each other to reach results

According to Dr Zhou Hong, Director of the Europe Institute at the Chinese Academy of Social Sciences in Beijing (CASS), China and Europe already have well-developed models of collaboration. Based on a study from a UK think-tank, ninety percent of China-EU relations are economic – mainly in areas such as aid or trade and investment. Both China and EU are two of the biggest traders in the world and their bilateral trade increased by 17% the last year, since 2003 it has even doubled. For example, the European Union is the biggest technology provider for China. Vice versa the EU is importing mainly industrial goods like machinery, transport equipment and miscellaneous manufactured articles.

Nonetheless, there remains a gap between Europe and China. There is a big difference in perception to how China and the EU see their relationship. Whereas in Europe China is seen as a threat, Chinese grade the level of friendship with the EU as good. Dr Zhou Hong says, this missing knowledge is a key-factor for the gap which should be closed by an intensified learning from and about each other.

Federal Councillor and Head of the Federal Department of Foreign Affairs Micheline Calmy-Rey expressed the desire of the national government and of Swiss industry and commerce to accelerate the preparations for a bilateral free trade agreement. This would also further strengthen relations between Switzerland and China.

Collaboration with China was increasingly important for the international community and for Switzer-

Panel discussion led by Erich Gysling (3rd f. l.) with speakers and Ambassador Pierre Combernous (r. f. Gysling).

land in finding solutions to global challenges. For Calmy-Rey there was no doubt that, in a globalised world, sustainable growth could only be achieved by close international cooperation. For that reason, Switzerland considers China's active involvement in numerous international institutions and constructive joint efforts to be decisive in achieving progress. At a bilateral level, Switzerland and China are currently discussing a memorandum of understanding in the environmental area. This envisages, amongst other activities, the exchange of technologies designed to protect the environment. In this way, both political and business sectors in Switzerland are making a firm and practical contribution to China's policy of securing growth while taking full account of social and environmental considerations.

On September 25th 2007, Micheline Calmy-Rey had signed a memorandum of understanding with Yang Jiechi in order to advance bilateral relations. Consul General Li Xiaosi described this as a vital document. China and Switzerland will increase their cooperation in future.

Federal Councillor Calmy-Rey also addressed the current human-rights-issue. She pointed out the dialogue, which Switzerland and China have been conducting since 1991. On July 2008, the 10th roundtable regarding this topic took place in Beijing. Exactly in these sensible subjects the willingness to learn from each other and a mutual trust is necessary to reach concrete results.

During the panel discussion, the speakers addressed the political system in China, the one-party-state. Erich Gysling, TV-commentator and journalist chaired this session. Another topic was the emergence of China as an economic power, which was unthinkable ten years ago. The speakers also considered the competition between China and the rest of the world and the fact that this is often misinterpreted. The final issue for the panel discussion was on resources.

Thomas Holenstein summarised the event in seven key concepts: mutual understanding, common goals, interdependence, differences in politics, a return to being the greatest economy in the world, development from cheap labour-force to cheap brain-force and, finally, opportunity.

Next "Economic Impulse Schaffhausen '09":
Friday, September 18th 2009

For further information please contact:
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Field Trip to China 2008

Zurich University of Applied Sciences Winterthur – School of Management and Law

After the first and very successful field trip to China in March 2007, Prof René Rüttimann organized a second field trip to China in June/July 2008. Almost twenty Bachelor students from the Zurich University of Applied Sciences in Winterthur took the chance to get a unique insight into China, the culture and the companies.

During the spring semester, the students attended special classes which laid the basis for the 17-day field trip. The students hold presentations about different topics (e.g. textile industry in China) and companies. In addition, the cultural aspect was addressed to initiate a deeper understanding of the people and the culture of China. The students were also very happy that Mr Li Xiaosi, the Chinese Consul General in Zurich, visited them during the semester and that he held a very interesting speech in front of the class.

The purpose of this trip was:
- Understanding the Chinese way of doing business
- Getting the culture and the people to know
- Extending the understanding of the world
- First hand experience of a country which we have so far only known from media
- China's role in international trade
- Opportunities and obstacles of companies operating internationally
- Comparing production in two business worlds
- Learning to act in an international environment

Kick-off at the Dalian University of Technology Campus

All members travelled individually to Dalian and the first participants left Switzerland in a euphoric mood in mid June. After several months of planning and preparing the trip, it was time to start! We all met each other again for the first time on Chinese mainland in front of our hotel, which was certainly a very special moment. After a warm welcome by Professor René Rüttimann and Mr Haowen Wu, Director of International Programs at the Dalian University of Technology, a tour around the campus was scheduled. For the majority of the students, the evening represented their first big challenge in China: ordering their dinner without the help of any translators, dictionary, or pre-arranged dinner option. The day after, most of the students told interesting, yet successful stories about their previous restaurant visit.

Multicultural workshop and first company visits

The second day, the Swiss participated in a multicultural and -lingual workshop with Chinese and French students, which was led by Professor Rüttimann. The workshop was highly interesting as we discussed with Chinese and French students how business can change for better. We could learn at the first glance that everybody had different understandings and approaches. In the afternoon, the university organized a visit to Dalian Locomotive & Roll-Stock Co. Ltd. (DLoco) which works closely together with GE and Siemens in certain business fields.

The day after, a visit to a textile producer close to Dandong (incl. the North Korean border) was planned. The students got a first impression of the Chinese textile industry and a lively discussion emerged during the visit. The following day we visited Dalian Shipbuilding Industry Corporation, the fourth largest shipyard, as well as Dalian Marine Diesel Works, a ship engine producer. Within the first few days of our trip, we could already see and experience the wide range of Chinese products and industries which are competing internationally. It was very interesting to discuss with a textile producer on one day, and to get to know the immense size of the fourth largest shipyard, the other day. The students were most impressed from the speed, dynamics and international focus of the visited companies.

Mr Rüttimann and Mr Wu with participants of the multicultural workshop. (Photo by Meyer)

Shanghai – 2.5x Switzerland

After the first week, we left Dalian for Shanghai. We have seen so many interesting and new things, that everybody required some time to process the first impressions. However, there was not much time for doing so. Once we arrived at Shanghai's Pudong Airport, we boarded the Maglev train for the city centre; and we were instantly hit by the technological progress, speed and finally, the size of the city!

After 2 days of individual sightseeing, we visited Swissnex and the German Centre in Shanghai. It was highly interesting to see how these two "agencies" facilitate the cross national dialogue or how they take on the role of advisers for companies which just opened their first office in Shanghai. We experienced the great efforts which are undertaken to bring two different cultures closer together in order to facilitate exchange/trade which obviously generates a benefit for the involved parties.

Road Trip to Hangzhou and Suzhou

We left Shanghai for a few days. On our small Chinese road trip we passed the cities of Hangzhou and Suzhou. We had the unique opportunity to visit a leather garment company, a furniture producer and a tannery. During these visits, we have learnt that a vast majority of the work is still done manually. Once again, we were surprised about the production volume which is shipped daily abroad. In addition, we have seen that one company started producing for the local market under their own brand in order to become less dependent on some large foreign purchasers. We also got to understand how much pressure foreign companies can exert in order to close a deal with Chinese producers.

On our last day, we visited Rieter, Berry-Callebaut and Suzhou Industrial Park's headquarter. Once we were on the production sites of these two Swiss companies, we realized that they could also be located somewhere in Switzerland or Europe. The factories seemed to be very well organized, cleaned up and equipped with the latest technology. Indeed, we have seen other factories which were much more chaotic. However, in terms of size and vision the visit at the Suzhou Industrial Park's headquarter was much more impressive. After a visit of the information centre, we had the opportunity to get an overview of the park from a bird's view: we look at the park from the top of the multi-story building. It is just incredible huge! For Swiss people it is hard to imagine that a new park for 1.2 million people can be built within a relative short time compared to Switzerland, where it takes years for building new stadiums, multi-story building, etc. A visit at the park is certainly a perfect example to experience and observe the immense dynamics and optimism in the future in China.

More company visits in Shanghai

One more day was spent in Shanghai and two company visits were planned. During the morning, we visited Cooper Power Systems. Apart from an interesting tour around the production site, we were engaged in a discussion about the experiences of an expatriate in China. In the afternoon, we visited the Swiss company SIKA/Sarnafil. Although we could not see the production site, we climbed on the roof of it instead and spotted something like a garden. According to company representatives, it is a test garden for the Swiss alpine flora (for the Expo 2010 in Shanghai).

Premium quality products and scenery

After a very intensive second week, we left Shanghai for Guilin and Yangshuo where we enjoyed a wonderful cruise on the Li River (picture on 20 Yuan Note) and a bicycle ride through the picturesque limestone scenery and rice fields around Yangshuo. Before we left for Guangzhou, we visited Subachi Enterprise in the city centre of Guilin. The company produces almost exceptionally with manual labour high quality products for its western customers. If some students would still have doubted that China produces mostly low quality products, she or he would have realized not later than during this visit that she or he was wrong.

Guangzhou and Pearl River Delta

We started the last week of our highly interesting field trip in Guangzhou. In the morning of the first day, some students visited individually the world's largest watch market in Guangzhou. The students wanted to try out their bargaining skills, which they have acquired over the last few days in China… However, they did not have the chance to do so. The amount of watches they would have bought (more precisely 1) was by far too low and hence, the traders were not interested in selling any watch. On the contrary, they wanted to buy the watch of one of the students for several thousands Yuan.

In the afternoon, we had the honour to follow an invitation of the Swiss Consul General in Guangzhou,

Swiss Consul General, Mr Nievergelt and the students in the future city centre of Guangzhou. (Photo by Meyer)

Mr Werner Nievergelt. In his speech, he could sensitise our group perfectly for the immense size and dynamics of the Pearl River Delta. A second presentation, which was held by Mr Urs Boesiger, a former student from our University, caught our interest too. He presented us helpful advice for setting up our own business and finally, he gave us a very impressive performance of the newest products which his company, soundmatters, produces. This very fascinating afternoon ended with a tasty dinner in a very relaxed atmosphere at the consul's residence overlooking the river and city.

The next morning, we left Guangzhou before the rush hour and headed towards Shenzhen. The first company visit was the branch of SGS in Guangzhou. Every now and then, the students were surprised with which basic tools products are tested, such as pulling an office chair back and forth 100'000 times. Probably, most of the students would have loved to participate in the product tests.

After SGS, the group visited Lenovo's production site within the Special Economic Zone in Shenzhen. It was very impressive to see how fast notebooks are assembled. During the month previous to our arrival, the company produced a record high number of more than 650'000 notebooks. The second interesting point of the visit was the discussion about the strategy and the merger of two totally different cultures after the take-over of some IBM business units.

Hong Kong harbour and last evening

On our last day of the field trip, another highlight waited for us. We could benefit from the generous hospitality of Kühne & Nagel and Mr Looschen who organized for us a boat cruise around the harbour as well as a visit to the office of Hutchinson, the largest port operator at the Hong Kong International Terminal. The participants enjoyed this day very much as we would never ever had the chance to visit such a port including the terminal operation centre.

After the visit, the official part of the field trip was over and we met each other for a wonderful dinner in a seafood restaurant.

Wrap-up

Thanks to Prof René Rüttimann, the companies and various hosts, the Swiss students had the unique chance to visit so many different companies from different industries. The group could experience the dynamics, size and speed from the Chinese business development first hand, but also obstacles and difficulties in doing business in China. There was not a single participant who was not impressed after the 2.5 weeks in China. We have not only learnt many aspects about the businesses in China, but also about the culture as well as how to interact and communicate in an international and multicultural environment. Finally, the vast majority of the students did not leave China, on the contrary, they travelled around the country. Some stayed another week, others stayed some more weeks, but everybody left China with great and wonderful impressions.

Last but not least, the next field trip to China is already scheduled for June/July 2009!

by Christoph Meyer
Member of the Organization Committee
Representative Guilin/Guangzhou/Hong Kong

For further information about the trip to China please visit our daily blog during the trip:

http://blog.zhaw.ch/som/international/ – "Center for EM goes to China 2008" or contact Prof. René Rüttimann at rutt@zhaw.ch

Engineering "Made in China"

A Swiss Engineer's Impressions in the Land of the Middle

Kaspar Walter Hügli
General Manager
4tec solutions ltd.

New foods, lots of smiles and crazy driving, those are some of the most obvious things you will realize after being in China for the first few hours. The rest will slowly overwhelm you day after day: A great history, stunning landscapes, a huge population, very hard working business oriented people, the contrast between poverty in rural areas and luxury goods in well developed cities, fascinating modern architecture, just to name a few...

To us, "Zhongguo" or the Land of the Middle is a country of constant change, evolving to achieve the Western wealth standard, but always trying to stay true to its roots and history. Altogether not a simple task for China, considering the fact, that it is governing one sixth of the World's population.

Swiss quality in China

After four years of working here for a Swiss Health Care manufacturer, the decision to stay longer and start our own company was not difficult. Doing business in Hong Kong and Guangdong province, guarantees a very interesting and challenging time. Sure, the mixture between the different culture and the fast economic pace is not everybody's cup of tea. But if you are adaptable and willing to conquer new grounds, you will find a lot of opportunities in many aspects of life. This is one of the reasons why we decided to open up our engineering office here in Hong Kong, the heart of South East Asia.

Specializing in product development we offer everything from the design stage to the final product. Due to our large network of suppliers, the product range goes from consumer goods to medical equipment and other high end products. Besides plastic injection tools we also offer small to large size series of plastic parts or metal parts with various surface finishing, as well as prototypes or parts procurement. We unite the attractive conditions the Asian market has to offer with the Swiss sense of quality that is needed. Our constant presence here in China enables us to combine these factors to form a good and lasting business opportunity for all.

In the western world rising fix costs, competition and other factors force many companies to look for alternative production locations, mostly in developing countries such as China. But this step is not easy and many small to medium businesses can not afford to take the risks involved with going to a foreign country. Especially from developing countries everybody knows the stories from the news papers. China is unfortunately ranking quite high in this list. Yesterday it was the lead in the paint, today it is the milk powder, what will be coming tomorrow?

How can you manufacture in a country where one scandal is chasing the next one? The answer is: with strong nerves, patience and lots of determination. Things have to be said again, taught again and checked again. Constant quality surveillance is absolutely necessary. In Switzerland as well, quality wasn't born overnight. It was build up, cultivated and fostered over centuries. Accordingly the image of Switzerland is a beautiful country with top watches, sharp knives and great chocolate! And we also have to work on it every day in order to keep it that way. These quality products are only possible if one considers all factors such as human resources, quality materials, supply chains, working environment and many more.

Our educational system with good schools, apprenticeship, colleges of higher education and universities supplies our industry with an excellent workforce on all levels. Materials are tested and screened thoroughly. The use of international standards guarantees stability. Suppliers work for a respectable reputation, not just for quick cash without thinking of tomorrow. Companies use top equipment and machinery; production lines are highly automated for stable results. The working environment is taken into account as part of the process and success. Altogether it is a system, where people invest with a long term view.

The small differences

In China things are a bit different. The speed, with which the country grows, is absolutely amazing, but there is also the other side of the coin. A certain amount of chaos and disorder is inevitable. There is a huge range of companies that vary from the newest high end space technology to absolutely low quality, dirt cheap backyard manufactures. Especially the latter ones are often not interested in a steady relationship, but tend to concentrate on short term planning and quick cash, which is the death blow to every project. Hence, it is essential to pick the right one to do business with.

Talking about small to medium enterprises, most of their staff on the assembly lines only has a basic level of education, joining the industry directly after school. And exactly here, at the very bottom of the process, quality starts. Since automation is not yet very wide spread in China, many tasks are done manually. Due to the large population and the low labour cost, hand labour is still very common. Therefore every step of the working process is subject to possible mistakes. It all depends on the workers attitude, the working conditions, staff turnover, even the weather and time of the day. All of it factors which are often neglected. You cannot get a stable production if conditions change by the hour.

Big enterprises working in the field of automobile parts or telecommunication solve this problem by setting up complete plants, importing machinery and staff to ensure the stable quality. But not every company in Europe, which wants to transfer some of its production to China, can afford to open their own company with trained staff from back home, quality assurance and other costly equipment.

Our solution to the problem

So, what can be done to work efficiently and cost effective with the existing medium range suppliers? In our opinion it can be split up into different solutions:

The choice of the right supplier is definitely of utmost importance. Every supplier has its limits and it is crucial to know them. Many companies will not turn you down initially, promising good quality and

Year of Formation: 2007

Company type: Limited Company

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Services:
1. Engineering
Providing Engineering Solutions and Product Development for consumer goods, medical equipment, sporting gear…
2. Production
- Plastic parts: Injection Molding, IMD, 2K, Blow molding…
- Metal parts: Stamping, CNC, Die Cast…
- Composite parts: CFK, GFK, SF
- After Treatments: Plating, edging, hardening, painting…
- Complete Assembly of various products

3. Consulting
Consulting service for Production and Quality support
4. Component Sourcing
Various components,
Complete plastic injection tools

timely delivery for very cheap prices, even though the product is way over there technical capability. Still, everything is always “Mei Wenti” (no problem, no questions)! But once the project starts, the troubles begin as well: Unstable dimensions, wrong materials, scratches; all resulting in project delay and money loss.

While their initial commitment and motivation might seem huge, a lot of companies stop at 90%, turning the remaining 10% into a Sisyphean task: You solve one problem, just to run into the next. Our strength is to choose the right supplier for every different part or product. Constant presence avoids any unsuspected surprises in the last minute. Problems can be solved fast and efficient. A good and reliable selection of suppliers is already half the task.

Another important point starts in the engineering phase of a product. For some products or parts, many problems can be avoided by adjusting an industrial design to “China compliant” production. Now, don’t get me wrong: This step is not about compromising the design, value or function of the product! It is to simplify the production and to eliminate possible mistakes during the manufacturing.

Let’s face it: Most Chinese manufacturers do not have the same standard as a lot of European companies. This is mainly due to the quality of the equipment or the knowledge of the operator. Therefore one cannot expect the same quality for a much smaller price. In western countries, most quality products are produced with a high degree of automation, while here the big seller is still cheap labour.

Many companies pay the price at a later stage, by having to make those adjustments, when the production is already running. But this often results in quality problems, delay and endangers the success of the whole product. Therefore we encourage and guarantee a good communication between customer and supplier in the design stage of a project to minimize those “misunderstandings”. Material questions, manufacturing details, assembly methods, every single one of them has great influence over the success of the project.

R&D should be done at the beginning. After all it is the abbreviation for “Research & Development”, not for “Rework & Destroy”, a not uncommon belief over here!

And finally, it is helpful to have a basic understanding of the Chinese mentality. It sometimes doesn’t comply with our precise “the world ticks like a clock” mindset. But understanding the pattern behind their actions helps to realize why things are done different. Expressions such as “Guanxi” (connections) or “Diu Lian” (loosing face) possess great meaning and should be treated with care and respect.

Being interested in your opponent’s culture and way of life will never hurt, but can only help you to be more successful with your tasks. After all we are the foreigners here…

by Kaspar Walter Hügli
General Manager
4tec solutions ltd.

Global Supply Chain Security Guide

Cotecna Selected by World Bank to Develop Global Supply Chain Security Guide

On November 15, 2008, COSEC, the Supply Chain Security Division of Cotecna, signed a contract with the World Bank to produce the World Bank Global Supply Chain Security (SCS) Guide. Cotecna is an approved World Bank Vendor.

The Global SCS Guide will include a top level explanation of all aspects of SCS, the essential technical, procedural and regulatory components of SCS and case studies of SCS programs. It will focus in detail on three specific areas; Certification, Container Integrity and Advanced Inspection technology (AIT).

The Global Guide is the first phase of the World Bank SCS Tool Box Project and will be completed over the next four months. The SCS Tool Box is aimed principally at Trade and Transport Government officials, Port and Airport authorities and Cargo and Logistics Communities. Although applicable to all regions, it is targeted in particular towards increasing awareness of SCS in countries in the developing world.

Robert Massey, Chief Executive Officer Cotecna, said: “We are pleased to be able to use our practical supply chain security expertise and operational experience to assist the World Bank in developing their Global Supply Chain Security Guide."

Founded in Switzerland in 1974, the COTECNA Group offers a wide range of trade facilitation services, trade security services and quality certification standards. Cotecna is a pioneer in areas such as risk management, destination inspection and scanner integration projects and also offers Customs modernization programmes, Customs valuation assistance, trade security solutions and commercial inspections. The Cotecna Group has a combined workforce of about 4,000 employees and agents in close to 100 offices and holds 16 government inspection contracts.

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Mercuria Opens New Office in Beijing

His Excellency, Ambassador Dante Martinelli of Switzerland officially opened Mercuria Energy's new office in Beijing, China on October 9th 2008, along with Mercuria President and CEO Marco Dunand, in a brief ceremony where the new sign was unveiled. The office, which is on the 47th floor of the Yintai Office Tower in Beijing's central business district, has a panoramic view of China's dynamic capital city. China is one of Mercuria's fastest growing markets.

Mercuria Energy Group is an international group of companies active over a wide spectrum of global energy markets, including crude oil and refined products, petrochemical products, natural gas, power, vegetable oils and carbon emissions. Mercuria is one of the five largest independent private crude oil and petroleum products traders in the world, playing a dynamic, diversified and growing role in the global energy market.

Mercuria has two companies in China. Mercuria Energy Trading (Beijing) Co. Ltd, which assists the Group to find profitable business opportunities and to connect the Group's considerable global resources with China's domestic markets and producers. Mercuria Investment Consulting (Beijing) Co. Ltd, which takes primary responsibility for all Chinese business and related risk control management instruments, and also assists the Group to evaluate, develop and manage investment projects in China.

H.E. Ambassador Dante Martinelli (r.) and Mercuria President and CEO Marco Dunand (l.) unveil the new sign.

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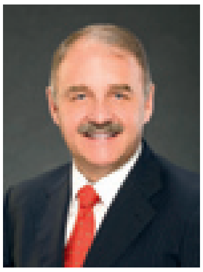
Digital Printing Business in China

Sino Swiss Engineering Ltd Brings China and the West Together in Digital Printing



Andreas Knecht
Managing Director
Sino Swiss Engineering Ltd

Against a backdrop of China's transformation into a global economy from its Communist past, Sino Swiss Engineering Ltd has made huge strides ushering the latest print-head technology into the country. This article will trace China's ascension into a major hub in digital printing and the role played by Sino Swiss Engineering Ltd in this market of burgeoning opportunities in the manufacturing of wide-and-superwide inkjet printers.

Emerging from a relatively recent past marked by famines, civil war and Cultural Revolution-style class struggles, China has since embraced the future with a series of bold, market-oriented economic reforms initiated by the new leadership under Deng Xiaoping. From 1979 to 1982, the country's economic growth quadrupled, bringing unprecedented opportunities to various market sectors, including digital printing.

Compared to the mature markets of North America, Japan and Europe, the printing industry of China has been growing at a much higher rate, believed to be 19% annually between 1999 and 2004, said a survey entitled "The Chinese Printing Market: The Next Big Opportunity for Digital Printing & Workflow" by the worldwide consulting firm, InfoTrends.

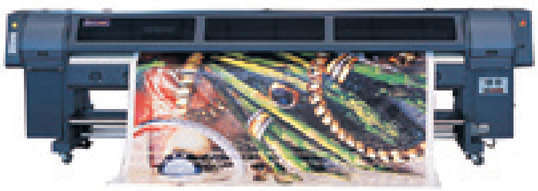
According to "Scale of Development of Publishing Industry in China", an online article published by Asia-Pacific Cooperative Programme in Reading Promotion and Book Development, there were 182,717 printing companies across China in 2005, with a revenue of 150 billion RMB, in which digital printing accounted for 7% in the entire market. At present, Beijing, Shanghai and Guangzhou from east, north and south China, are the regions where the digital printing business is growing most rapidly.

Concurrent with this trend, increasingly greater emphasis has been placed on the quality of digital printers as Chinese consumers vie for the most sophisticated and latest models imported from Europe. One of the most promising areas of growth for digital printers and printhead products is the advertising billboard industry.

Meeting the needs for outdoor advertising

Even eight to ten years ago, China was already the world's largest outdoor advertising market with over 1.4 million billboard sites and an installed base of machines 30% higher than that of the United States. These machines produce print 24 hours a day, seven days a week. A great number of them were highly-priced superwide printers from Vutek USA and Scitex/HP using piezo printhead technology one that delivers perfect, razor-sharp print resolution. This is a far cry from the earlier days when local printer-makers were still adopting air-brush printing technology of a relatively primitive level.

Being a China expert in high tech & innovative B2B solutions, Sino Swiss Engineering Ltd, incorporated in Hong Kong as a business development consulting and services firm, has dedicated great efforts helping to develop the country's digital printing sector to a higher technological and market level. As early as 2000, Sino Swiss Engineering was already introducing piezo printheads from UK to China and selling them there. Although locally made piezo printers were 50% cheaper, the imported ones are still extremely popular, due to reasons of product reliability, longer product lifespan and comprehensive after-sales services provided.



One of the latest models is the Ultra 2000 printer (3.2 m print-width), manufactured by Witcolor Shanghai, which features UK-developed printhead-technology to achieve 1440 dots per inch at a print speed close to 30 m²/hour, considered to be a superb level of print resolution for the outdoor graphics industry.

Within four years from 2000 to 2004, Sino Swiss Engineering Ltd succeeded in helping a hi-tech firm from the UK to become a major supplier of printheads in China, where its wide-format piezo products were snapped by customers, many of whom were smaller printing shops, to meet the needs of the vast outdoor advertising market.

Starting from an annual sales turnover of just USD1 million, our client, which owned a globally patented digital inkjet technology, took just four years to build itself into a profit centre of USD36 million in annual sales, with sales, marketing and advisory support from us in several areas of business operation.

Sino Swiss Engineering Ltd encouraged the customer to participate in commercial signs and graphics exhibition across Asia. Its latest printing technology was showcased in high-profile exhibition events in China, Korea, Taiwan and Singapore, to a positive market reception.

The next step was to help our client build a stable customer base, by contacting and visiting associations of high-tech services in each market. Key customers were also offered co-sponsorship of printer projects.

Full service to capitalize market opportunities

As part of an overall operational plan that Sino Swiss Engineering Ltd helped formulate, our client was advised to hire local Chinese engineers and trained them at its headquarters in Europe to form a frontline customer-service force. Also, a highly efficient sales force was established to handle sales inquiring pouring in from all corners of China. Product updates were also regularly offered to their customers. Those whose printhead orders exceeded a specific quota were offered attractive volume discounts.

An awareness campaign was also undertaken to maintain overall brand awareness revolving around the digital inkjet printers of our client, which culminated in its decision to create a profit centre in China.

Sino Swiss Engineering Ltd is dedicated to helping European and other high-tech manufacturers to capitalize on the burgeoning opportunities in mainland China and markets elsewhere in Asia. Noting that 80% of the China-made printers are retailed in the domestic market, with the rest being exported to Russia, Eastern Europe, India, the Middle East, South America and Africa, we believe that the time will come for these products which will catch up in quality with those produced from the West.

Tap into the future of high-tech and innovative technological products

Looking ahead, it is evident that digital spray printing for the textile industry will be in huge demand in China, where the National Planning Committee has approved a multi-million dollar project to produce 10 million metres of digitally sprayed printing equipment and a production line to be built near Shanghai.

An all-new printing method, digital spray painting facilitates direct spraying if special dyes onto fabrics, through a computer-controlled system, allowing new designs to be created, a higher quality level to be rendered and pollution-free benefits to be gained.

With the upcoming project and other related digital printing developments in China and the rest of Asia Pacific, hi-tech manufacturers from the West are advised to contact Sino Swiss Engineering Ltd to tap the enormous business opportunities in this region. Our company also provides B2B consulting on other high-tech and innovative technological products.

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Warm Winter Bests at Shangri-La

This winter, cosy up with Shangri-La Hotels and Resorts by taking advantage of our Warm Winter Best Available Rates that include breakfasts for up to two persons and complimentary in-room broadband Internet access. Available at 28 Shangri-La hotels in China including the HK SAR, the offer is valid between 15 December 2008 and 15 February 2009.

Welcome Tea at Pudong Shangri-La in Shanghai.
(Photo by Shangri-La)

In addition, to celebrate the Chinese New Year, book an additional room between 23 January and 8 February 2009 for accompanied family members to enjoy a special "Family Package" with one-time complimentary buffet dinner for two* and automatic upgrade to Horizon/Traders Club or the next room category**.

Frequent flyer programme members of Cathay Pacific Airlines/Dragon Air, Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines will receive double or triple mileage when booking for a consecutive two or three-night stay respectively.

For reservations, please call our toll free numbers
China – Northern Provinces 10 800 852 5900
China – Southern Provinces 10 800 152 5900
Hong Kong – (852) 2331 6688
Taiwan – 008 0185 5818
Singapore – 001 800 8388 8388

Or visit www.shangri-la.com

Terms and Conditions

* Booking must be made under Warm Winter Best Available Rates for consecutive two or more nights.
* * Complimentary upgrade to the Horizon/Traders Club or the next room category is subject to availability upon check-in. (Upgrade at Island Shangri-La and Kowloon Shangri-La Hotel in Hong Kong is to the next room category.)
* * * Offer cannot be used in conjunction with other promotions and advanced reservation is required.

RADO – Luxury Swiss Made

CERAMICA CHRONOGRAPH

Technology. Energy. Entirely ceramic, the *Ceramica* by Rado is now also available in a chronograph version. Precision in time. Perfection of the moment.

The dial displays three counters of different sizes and the date at four o'clock, subtly random comets and circles scattered across the black surface. The pushers operating the chronograph functions hardly protrude from the case – perfectly integrated. But omnipresent.

There are two variations of this graphic and monochrome model. In its polished version, the ceramic reinforces the brilliance of the black metallised crystal. The matt finish offers an exceptional contrast. Both are innovative. Indexes provide a rhythm for the seconds round to three o'clock, then surprise with their intermittence. The counters display finely engraved concentric circles. Precise sophistication. Indomitable vitality.

CERAMICA CHRONOGRAPH JUBILÉ

Fascinating chiaroscuro. The Ceramica chronograph by Rado is adorned with diamonds, in a surprising way – playfully and with contrasts.

Dial, crystal, case and bracelet. All ceramic, all black, merging one with the other. The icon of the entire collection, this watch draws its distinctive character from the exceptional integration of its lines. And the technology and precision of a chronograph reinforce the details that make the difference – the four circles of sparkling diamonds on the dial setting off the three counters and the date, signaling the departure from the graphic identity of the original model. On the side, the push-pieces offer a subtle reminder of the presence of chrono functions.

Conciseness and technology. Brilliance and fluidity. A model of refinement. A celebration of precision.

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China Festival in Weggis

Chinese Culture at Park Hotel Weggis from January 24th to February 15th 2009

This is the third time that the Park Hotel Weggis presents a festival of a country which is both impressive in its impetuous growth and fascinating with its millennia-old culture. Once again we will experience China on different levels: cultural, gastronomic and economic. Welcome to the Central Realm!

Beginning on January 24 through February 15, 2009, discerning travellers and gourmands alike may experience the rich and diverse culture of China within the spectacular setting of the luxury resort set on Lake Lucerne, in the historic village of Weggis in Switzerland.

Headlining this unique festival will be authentic Chinese cuisine featuring culinary customs that have indelibly revolutionized the country's gastronomical importance in the culinary world.

Parc & China-Festival overnight special valid from 24th January to 15th February 2009

A unique package featuring the rich and diverse culture of China, including:

- 1 night accommodation including Sparkling breakfast buffet
- 1 "Quanjude Dinner" (4 course) at the Restaurant Sparks with Chinese live music
- Free entry to the pool and the relax zones
- Free use of fitness and power equipment

From CHF 295.00 / € 184.00 per guest.
Additional nights available at special rates.

Peking Duck – Best known Chinese specialty

During the Chinese Festival, authentic Chinese dinners will be presented in the hotel's fine-dining restaurant Sparks (evenings with Chinese live-music). You will be treated by a team from the **Quanjude Restaurant in Beijing**. The business which was established in 1864 became famous with what is probably the best known Chinese specialty – Peking Duck. Its characteristic Quanjude flavour, the special roasting technique and superb quality made the restaurant famous well beyond the country's borders. Government leaders, officials and VIPs from lots of countries and regions have visited Quanjude roast duck restaurants and had dinner there.

Culinary art created by Quanjude Restaurant from Beijing.

The Grand Chinese New Year Concert

As part of the great China Festival the Park Hotel Weggis presents a musical spectacular in the Lucerne Culture and Convention Centre (KKL Lucerne). The China Traditional Orchestra Anhui ushers in the Chinese year of the buffalo with music and is considered to be one of China's best traditional orchestras.

Concert on Friday, January 30, 7.30 p.m. at the KKL Lucerne. Information and advanced ticket sales at: www.kkl-luzern.ch or www.ticketorner.com

Art Exhibitions

Complimenting the culinary portion of the festival exhibitions will take place on property and are complimentary to all guests. Vernissage of the art exhibition: Saturday, 24 January, 3.00 p.m. Entrance free. Exhibition in the gallery from 24 January to 15 February 2009.

"Lalique" China Mood – Central Realm… Forbidden City… Silk Road…. Traditional China is blessed with a soul, which shifted us into day dreams since always. A soul, which can revive a few objects.

"China Mood" drew its inspiration of the Chinese art and history, when René Lalique shaped the Peace Hotel, an Art Deco work of art in Shanghai in 1929. By the creations of timeless modern trend the collection tells stories of long past times. By the combination of design and crystal the handwriting of an artist up-to-date encourages the tradition. The purity of the crystal and the technical skill of the glass master offer a revealing view of the soul of Lalique.

The reproductions of the cultural heritage from the Jin and Tang Dynasty are national art treasures. They are held in "the forbidden city" in Beijing and are not accessible for the public. For the exhibition at the Park Hotel Weggis the pictures are in Europe for the first time.

Also **works of the famous calligrapher He Ku** are to be seen and to be admired.

Swiss Deluxe Park Hotel Weggis

Newly refurbished Relais & Chateaux and Swiss Deluxe Park Hotel Weggis ★★★★★ offers 53 guestrooms and suites, including the uniquely designed Adara Suites featuring unadulterated views of Lake Lucerne, luxurious baths and amenities, in-room wine coolers and the latest in technology. Tibetan private spa cottages, Tibetan themed spa treatment rooms and therapies as well as Japanese gardens provide a tranquil respite in which to unwind. The refurbishment features the incorporation of modern day luxury design and style in the original hotel structure that housed the Mark Twain and Queen Victoria Suites. Award-winning fine-dining restaurants, The Grape, Sparks and The Annex offer fusion cuisine and ambience in an atmosphere of elegance and high style. The signature Aquarius Hall is the perfect venue in which to create unique occasions with its glass panels and specially designed lighting executed in Murano glass by Philippe Starck. A century-old restored Vinothek hosts private wine pairings and over 2,600 labels lovingly overseen by award-winning Sommeliers. The hotel is open year round.

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Entrance of the Swiss Deluxe Park Hotel Weggis.

Series of lectures

In a series of stimulating lectures on political, economical and cultural issues we answer your questions and present interesting information. The lectures will take place on property and are complimentary to all guests.

29 January, 7.00 p.m.
Peter Achten, Far East correspondent of SR DRS as well as Ringier-titles and chief editor of the magazine "China International Business".
Theme: China after the Olympic Games: will the trees further grow to the sky?

4 February, 7.00 p.m.
Kurt Haerri, President Swiss-Chinese Chamber of Commerce
Theme: Made in China on the reversal point? Chances and risks for foreign companies with fast changing conditions in China.

6 February, 7.00 p.m.
Yang Jing
The beauty of the Chinese Music: Concert with explanations of aesthetics.

8 February, 5.30 p.m.
Prof Andrea Riemenschnitter, Professor of modern Chinese language and culture at the Institute of East Asian Studies, University of Zurich.
Theme: Global Players: A Chinese world order in the 21st century?

10 February, 7.00 p.m.
Urs Schoettli, Far East correspondent of the journal "Neue Zürcher Zeitung"
Theme: China and the world economy – which executive functions will approach the central realm?

13 February, 7.00 p.m.
Edith Hunkeler, Paralympic gold medal winner in Beijing 2008 and
Sergei Aschwanden, Judoka, bronce medal winner in Beijing 2008.
Interview with Thomas Erni, sports reporter of Tele Tell TV. The two Olympic medal winners will talk about their adventures during the Olympic Games 2008 in Beijing.

14 February , 7.00 p.m.
Hans J. Roth, Consul General of Switzerland in Hong Kong.
Theme: China's conflict points with the world from the social psychological view.

Das Grosse Chinesische Neujahrskonzert

Das Jahr 2009 ist ein Jubiläumsjahr: Bereits zum zwölften Mal findet das Chinesische Neujahrskonzert statt und schliesst damit einen kompletten Zyklus des chinesischen Horoskops ab. Obrasso Classic Events präsentiert am 30. Januar 2009 zum ersten Mal das China Traditional Orchestra Anhui im KKL Luzern.

Die diesjährige Tournee zum Jahr des Büffels führt das China Traditional Orchestra Anhui in acht Städte in fünf Ländern, nämlich nach Prag, Wien, München, Stuhr/Bremen, Essen, Kairo, Alexandria und in die Schweiz, nach Luzern.

Das Grosse Chinesische Neujahrskonzert

China Traditional Orchestra Anhui
Zhu Xiaogu, Dirigent

Freitag, 30. Januar 2009, 19.30 Uhr
KKL Luzern, Konzertsaal

Tickets:
CHF 130 / 120 / 110 / 90 / 60 / 45

Vorverkauf:
Obrasso Classic Events
Tel. 041 318 00 55
info@classic-events.ch
www.classic-events.ch

China konnte sich während der Olympischen Spiele der ganzen Welt von seiner besten Seite präsentieren und viele Gäste aus der ganzen Welt zum grossen Sportereignis empfangen. Nun geht das Grosse Chinesische Neujahrskonzert den umgekehrten Weg und bringt ein Stück China nach Europa.

Das China Traditional Orchestra Anhui

Das diesjährige Orchester kommt aus Anhui, einer Provinz im Südosten des Landes und spielt unter der Leitung zwei bekannter chinesischer Dirigenten, Zhu Xiaogu and Xu Hong. Zhu Xiaogu ist Dirigent und Komponist des Opernhauses in Shanghai. Zhu dirigierte bereits Hunderte von Konzerten, Opern und Musicals und konnte sich auch als Komponist einen Namen machen. Xu Hong, der Dirigent des China Traditional Orchestra Anhui und des Anhui Symphony Orchestra kann bereits auf eine mehr als 20-jährige Karriere zurückblicken und dirigierte bereits zahlreiche Symphoniekonzerte. 2008 trat er gemeinsam mit dem China Traditional Orchestra Anhui im National Centre for the Performing Arts auf. Als Solisten, die speziell für diese Tournee eingeladen wurden, treten auf: Pan Changqing auf der Pipa (Chinesische Laute), Chen Huilong auf dem Dizi (Chinesische Bambusflöte), Sun Zhi auf dem Guqin (Chinesische Griffbrettzither) sowie Wang Yawen und Zhang Jian auf der Erhu (Chinesische Geige).

Das China Traditional Orchestra Anhui zählt zu den bekanntesten Orchestern in China. Das Orchester ist an das Anhui Song and Dance Theater angegliedert und hat sich zum Ziel gesetzt, hochwertige chinesische Musik sowie Musik der Anhui-Region weiterzuentwickeln und bekannt zu machen. Seit seiner Gründung im Jahr 1956 hat das Orchester die Musik von China und Anhui sowie deren Kultur und Geschichte sowohl im eigenen Land als auch im Ausland dem Publikum durch zahlreiche Konzerte näher gebracht.

In seiner Aufgabe als kultureller Botschafter repräsentierte das Orchester sowohl China als auch die Provinz Anhui bei Konzerten in über 30 Ländern und Regionen, wie z. B. in Japan, Österreich, Russland, Mongolei, Westafrika, Mexiko, Korea, Schweden, Algerien, Tunesien, Hongkong und Macau. Das Orchester folgte mehreren Einladungen, vor Regierungsoffizieren und Ehrengästen – darunter der dänische Premierminister, die Präsidenten von Zambia, Mali und Mozambique – aufzutreten.

Anhui-Musik

Im Zentrum des diesjährigen Grossen Chinesischen Neujahrskonzerts steht die Musik aus Anhui. Die traditionelle Musik aus Anhui entwickelte sich aus einer Sammlung von Volksliedern und lokalen Opern. Die Formierung und die Entwicklung dieser Volkslieder und Opern ist verbunden mit der einzigartigen geographischen Lage der Provinz Anhui. Anhui ist im Osten von China zu finden, jenseits des Yangtze-Flusses und des Huaihe-Flusses, mit einem der grössten Seen Chinas, dem Chaohu-See, welcher in der Mitte der Provinz zu finden ist. Die Flüsse sowie die weiten Steppen geben den Bewohnern vom Norden der Provinz einen verwegenen Charakter, im Gegensatz dazu sind die Bewohner des Südens durch ihre Nähe zum See und die sich daraus entwickelnde Fauna eher weicher und sanfter im Charakter.

Die bekannteste Art von Anhui-Volksmusik stammt von der sogenannten Fengyang Flower Drum, auch Double-struck Drum genannt. Diese ist seit mehr als 200 Jahren während der Herrschaft der Qing-Dynastie bekannt. In seiner Originalform wurde dieses Instrument von zwei Musikern gleichzeitig gespielt. Einer schlug die Trommel, während der andere die Lebensgeschichten der Menschen besang.

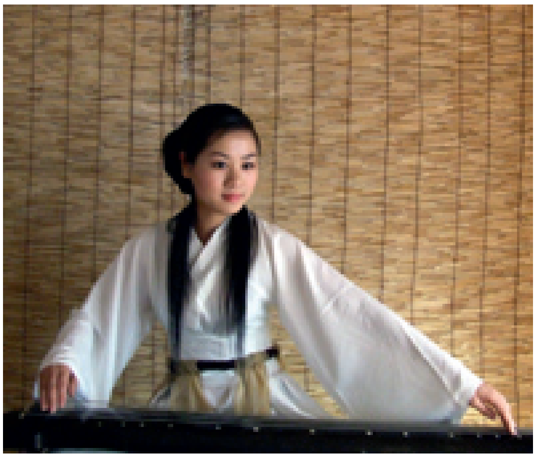
Eine der bekanntesten Opern von Anhui ist die Huangmei-Oper, welche von Caichaweisen abstammt, die Einwohner während der Teeernte sangen. Eine weitere bekannte Oper ist die Huizhou-Oper, welche sich in der Ming-Dynastie von den Weisen der Huichu aus der Region Huizhou sowie den nebenan liegenden Gegenden von Taiping, Qingyang und Shitai entwickelte. Während der Herrschaft von Daoguang in der Qing-Dynastie wurde die Huizhou-Oper weiterentwickelt und breitete sich in ganz China aus. Cheng Changgen, ein aus Anqing stammender Nachfolger von Gao Langting, half dabei, die Huizhou-Oper durch die Kombination mit Han, Kun und anderen Opernstielen in die heute sehr bekannte Peking-Oper zu entwickeln. Durch diese Entwicklung wird die Huizhou-Oper heute als einer der Vorläufer der Peking-Oper anerkannt.

Anhui-Musik hat breit gefächerte Charakteristiken, welche das Alltagsleben der Bewohner der verschiedensten Teile der Provinz wiedergeben. Die Zuschauer können die lebhaften Rhythmen, die leidenschaftliche Atmosphäre und den künstlerischen Charme dieser Musik spüren.

Das Jahr des Büffels

2009 fällt das chinesische Neujahr auf den 26. Januar. Das chinesische Neujahr, auch Frühlingsfest, richtet sich nach dem traditionellen chinesischen Bauernkalender und beginnt mit dem ersten Neumond des ersten Monats des Mondjahres. Das Frühlingsfest ist in China ein Familienfest, das in seiner Bedeutung mit Weihnachten verglichen werden kann.

Der chinesische Tierkreis basiert auf einem zwölfjährigen Zyklus, wobei jedes Jahr von einem bestimmten Tier repräsentiert wird. Der Büffel ist das zweite Zeichen im Zyklus des chinesischen Horoskops, welcher mit der Ratte beginnt. Darauf folgen nacheinander Tiger, Hase, Drache, Schlange, Pferd, Schaf, Affe, Hahn und Hund.



Viele Chinesen glauben, dass das Jahr der Geburt der primäre Faktor für die Bestimmung der Charakterzüge der Persönlichkeit eines Menschen, seiner körperlichen und geistigen Eigenschaften, ebenso wie auch für den Grad des Erfolges und des Glücks im Verlauf seines Lebens ist. Menschen, die im Jahr des Büffels geboren sind, gelten als geborene Führer. Büffel sind fleissig und geduldig und schweigen lieber als dass sie ein Wort zu viel verlieren. Sie sind konsequent in ihren Handlungen und man kann sich als Freund auf sie verlassen. Nach chinesischem Glauben sind sie mit einem langen Leben gesegnet. Jahre des Büffels: 1901-1913-1925-1937-1949-1961-1973-1985-1997-2009-2021.

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Mit dem Neujahrsball, den Summer Night Classics, dem World Band Festival Luzern und diversen anderen Veranstaltungen erlangte die Obrasso Classic Events GmbH in kurzer Zeit den Status des zweitgrössten Veranstalters im spektakulärsten Konzerthaus der Schweiz, dem KKL Luzern.

Die Event-Philosophie besteht darin, den Besuchern zu erschwinglichen Preisen unvergessliche Momente und Stunden zu bescheren. Die Qualität des Dargebotenen, der Unterhaltungswert und der Enthusiasmus der Künstler sollen den Besuchern in bester Erinnerung bleiben. Ein begeistertes Publikum ist der Garant unseres Erfolges.

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Mummenschanz in China

Wu Promotions Beijing Brings the World Famous Swiss Visual Theatre to China

Mummenschanz is a phenomenon in the theatre world. Since almost 40 years the company is touring around the globe, enchanting with its original performing art people of all ages and cultural orientations. The company was established in 1972 by the Swiss Andres Bossard, Bernie Schürch and the Italo American Floriana Frassetto.

These talented artists had the crazy idea to conquer the stages of the world with a spectacular and revolutionary nonverbal theatrical style. They banned the language to avoid any linguistic barriers. First nobody in Switzerland believed that they would ever achieve their unrealistic high goal. But in the same year they made the miracle happen. Mummenschanz was discovered at the International Theatre Festival in Avignon France. Critics and agents were impressed by the original ideas. They praised Mummenschanz as inventors of a new nonverbal visual theatre form. A critic wrote: *"…a wonderful spectacle that combines fine art, comedy, poetic irony and subtle criticism while still leaving much to the audience's imagination"*. Mummenschanz received engagements not only in Europe but also in North and South America.

In the following years Mummenschanz became a brand for a unique, high level, humoristic and spectacular entertainment.

In 1977 Mummenschanz was offered the chance to perform two weeks on Broadway in New York, which was considered as a high risk in view of the fact that never before a visual show without music and spoken words was successful. Audience and media reacted enchanted and enthusiastically. They performed finally for three years with full houses. This was the breakthrough for their world fame. Since then Mummenschanz travels the globe.

Their latest show with the title "Mummenschanz 3x11" is a retrospective which was opened in 2006 in Sydney. On their world tour they were performing in Australia, New Zealand, Colombia, Ecuador, Brazil, Switzerland, Great Britain, Germany, Italy, Egypt, Israel and South Africa until now.

Based on the success of the last Mummenschanz tour in 2003, which was organised by the Chinese Cultural Ministry, Wu Promotion has engaged the company for a tour in China which will be the opening of its Asian tour. In June this year performances are planned in Beijing, Shanghai, Qingdao, Wuxi, Suzhou and Kunming.

Pro Helvetia, Swiss Chinese Cultural Explorations

The Mummenschanz tour is part of the exchange and cooperation programme "Swiss Chinese Explorations" of Pro Helvetia, the Swiss Arts Council. This project will be strongly promoted by Presence Switzerland, the national promotion agency of the Foreign Ministry of Switzerland. The project includes Mummenschanz workshops for Chinese artists and meetings to exchange artistic experiences.

All photos by Gerry Born

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Tan Dun with Zurich Chamber Orchestra

"Composer in Residence" with the Zurich Chamber Orchestra Season 2008/09

Tan Dun and Muhai Tang, Artistic Director and Principal Conductor of the Zurich Chamber Orchestra (ZKO) are united by a friendship of many years. After Muhai Tang already performed some works by Tan Dun with the ZKO last season, they hit on the idea of bringing the composer to Zurich to serve as the artistic co-director for the 2008/09 season.

"I have this vision of 'one plus one equals one'. One plus one can be East and West, Switzerland and China, masculine and feminine, Yin and Yang. From my vision of uniting each of these pairs of things, 'one plus one', one thing is produced, namely music", Tan Dun described.

The time which Tan Dun spends as "Composer in Residence" with the ZKO, makes a lively exchange between the composer and the members of the Zurich Chamber Orchestra, with their differing cultural and regional backgrounds and origins, possible. Furthermore, the 2008/09 season offers the public the unique chance to experience the composer of the Oscar-winning film score for "Crouching Tiger, Hidden Dragon" in person and experience through his works a wholly different, unusual and exotic music.

According to Tan Dun, "planting rice is very interesting work. In my life as a musician, it's the same: I plant spiritual rice in different countries and provide the people with musical food. This spiritual food is very important, so that people do not starve to death culturally."

The ZKO presents the spectrum of Tan Dun's creative talents in several concerts. The composer himself will direct the concert in November as well as his opera "Tea – A Mirror of Soul" in May of 2009. Additionally, he is writing a new chamber orchestra version of his "Eight Colours" especially for the ZKO.

Close friends: Muhai Tang and Tan Dun

About Tan Dun

Tan Dun was born on August 18th, 1957 in Hunan, a province of China, far from civilisation. In this environment, he grew up with his grandmother and in the shamanistic traditions of rural villages. Forced to become a rice planter by the Maoist regime, Tan Dun found his intellectual and spiritual freedom in music. He collected traditional folk songs and at the age of 17 he was already something of the village conductor, who directed all of their musical celebrations and rituals. After the Cultural Revolution, he gained one of the prestigious positions in the re-opened Peking Conservatory and very soon established himself in China as a composer. Already famed in his homeland, a scholarship opened the way for him to study at Columbia University in New York, where his international career really began.

Tan Dun – Composer

"Theatrical [and] ritualistic, Tan Dun's music sculpts sound and transforms everything into a riveting experience that is hard to define but very easy to appreciate", The Los Angeles Times.

There are really very few composers who are as identified with intercultural music as Tan Dun, who became internationally famous with his film score for "Crouching Tiger, Hidden Dragon". His well-grounded knowledge of traditional Chinese music combined with that of classical music, his knowledge of both traditional and modern instrumental technique allow a thoroughly unique music to spring from his pen. He skilfully combines ritualistic rural life with the splendour of the concert hall and moves between traditional spirituality and classical values.

Eastern and western influences meld together and undergird Tan Dun's theory that the essence, the harmony and philosophy of all music are essentially the same. Music is life for him, and life music; this is how he describes his principles and he adduces Mozart as an example. Mozart was an irrepressibly vivacious, impudent and ingenious child, whose music was so natural and exciting exactly because it was an authentic translation of his life. It is therefore no surprise that Tan Dun can express himself so well, both in the concert hall and on the silver screen, and that he is equally beloved of both concert goers and film fans. His music opens borders, and has not only an intercultural but also an interpersonal character. It combines tradition and innovation, spirituality and structure and one single thing: Life.

Muhai Tang and the Zurich Chamber Orchestra

Muhai Tang's international career was launched by Herbert von Karajan, who invited him to conduct a concert with the Berlin Philharmonic in 1983. Muhai Tang subsequently held positions as principal conductor with, among others, the China National Symphony Orchestra, the Queensland Symphony Orchestra in Brisbane, as well as the Finnish National Opera in Helsinki. At the beginning of the 2006/2007 season Muhai Tang was appointed Artistic Director and Principal Conductor of the Zurich Chamber Orchestra. Founded immediately after the Second World War by Edmond de Stoutz, the Zurich Chamber Orchestra is now one of the leading ensembles of its kind. Regular invitations to international festivals, extended concert tours through European countries, the United States

Upcoming Concerts with Tan Dun

Sat., May 9th, 2009, 19:30
Kongresshaus Zurich
Zurich Chamber Orchestra
Symphonic Orchestra of Zurich
Muhai Tang, Conductor
Nacy Allen Lundy, Soprano
Ning Liang, Alto
Haijing Fu, Baritone
Chang Ching, Stage Director
Tan Dun's Opera "Tea: A Mirror of Soul"

Sun., May 10th, 2009, 18:00
Rietberg Museum
"China – The Fantastic World of the Chinese Artist Luo Ping"
Chamber music by Tan Dun illuminated and discussed by Muhai Tang and Tan Dun.

Tue., May 12th, 2009, 19:30
Tonhalle Zurich
Zurich Chamber Orchestra
Symphonic Orchestra of Zurich
Tan Dun, Conductor
Yingdi Sun, Piano
Tan Dun: "Eight Colours" for strings
(world premier)
Tan Dun: Piano Concerto "The Fire"
and Dance-Suite by Béla Bartók

and China as well as numerous acclaimed CDs bear witness to the Zurich Chamber Orchestra's world-wide reputation.

Besides compositions by Haydn, Mozart and Beethoven, the orchestra also performs the Romantic and Classical Modernist repertoire, baroque pieces, as well as contemporary music. Furthermore, under the leadership of Muhai Tang, the Zurich Chamber Orchestra continues to cultivate a dialogue with non-European musical cultures in the future.

NiuNiu Opened the ZKO Season with Muhai Tang

"He comes to the podium with a broad, thoroughly self-confident, but natural gait, swinging his arms, almost nonchalantly, positions himself next to the grand piano, takes a breath, straightens his chest and bows, smiles, sits down at the instrument and plays, without waiting for further invitation, his first encore, then his second, third, fourth, fifth…each more virtuoso than the last, effortless and perfect. And of course the audience very quickly rises to its feet for the ovation…" (Tages Anzeiger)

NiuNiu, characterised as a "once in a century" talent by Paul Badura-Skoda and sponsored by Muhai Tang and Tan Dun, gave his first successful piano recital at the age of 6 in front of an audience of 1,000 people. Two years later, the primary school affiliated with the Shanghai Conservatory loosened the rules in order to permit the acceptance of the youngest student in its history. Last March, 11-year-old NiuNiu recorded his debut CD with the works of his favourite composer, Mozart, after he had become, in July of 2007, the youngest pianist to ever sign a contract with EMI. His great ambition is reflected not only in his vigorous concert schedule, but also in his astonishingly large repertoire. Today, it encompasses nearly 50 piano concerts along with diverse pieces by the great composers. His sensitive interpretations almost cause one to forget his extraordinary youth.

NiuNiu

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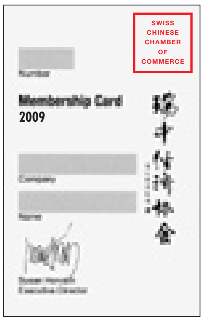

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CH-8032 Zürich
eig. Parkplätze
✆ 044-267 87 02 Fax 044-251 24 76
E-Mail: info@orsons.ch
Website: www.orsons.ch

SHANGHAI
Bäckerstrasse 62/Helvetiaplatz
CH-8004 Zürich
✆ 044-242 40 39

ZHONG HUA
Zähringerstrasse 24
CH-8001 Zürich
✆ 044-251 44 80 Fax 044-251 44 81

TRAVEL/DELEGATIONS

Alpine Sightseeing GmbH
Heerenschürlistr. 23
CH-8051-Zürich
✆ 044-311 72 17, Fax 044-311 72 54
E-mail: otofrei@yahoo.com

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

FTE GmbH
Zunstrasse 9A
CH-8152 Opfikon
✆ 044-322 66 88, Fax 044-322 66 90
E-Mail: victor@fte.ch
Website: www.fte.ch

Tian-Tan Horizon SA
55, Rue des Pâquis
CH-1201 Genève
✆ 022-731 06 66 /59; Fax 022-731 06 75
E-Mail: info@tiantan.ch
Website: www.tiantan.ch

HOTELS

CLARIDGE HOTEL ZURICH
specialised in hosting Chinese Customers
(we serve Chinese zhou and xifan for breakfast,
we offer Chinese TV and tea kettle in every room,
Chinese spoken)
Steinwiesstrasse 8–10
CH-8032 Zürich
✆ 044-267 87 87 Fax 044-251 24 76
E-Mail: info@claridge.ch
Website: www.claridge.ch

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