



# InfoFlash

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## Main Topic

### China launches preferential foreign investment policies

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# Contents



## Main Topic

### China launches preferential foreign investment policies

China has recently promulgated a package of new policies to further encourage foreign investment. These policies, together with those issued in the past, form a new policy framework for foreign investment, covering the full spectrum of areas from finance, to taxation, foreign exchange control, and additional preferential treatment specially for foreign investment in the central and western parts of the country.

#### Finance

If foreign-funded enterprises seek financing within the territory, Chinese capital commercial banks are permitted to accept guarantees from foreign shareholders:

1) Foreign-funded enterprises are permitted to

exchange banks in the Chinese territory with foreign exchange as hypothecation.

2) In order to ease capital inadequacy on the Chinese side, when Sino-foreign joint ventures expand capital, special industrial investment funds will be set up, and Chinese capital banks within the territory are permitted to grant loans for share capital to the Chinese side.

3) Foreign-funded enterprises in China are permitted to apply for loans from Chinese capital banks using the overseas assets of their foreign partners as mortgages.

4) Foreign-funded enterprises are permitted to apply for A- or B-stock issues.

5) Insurance services may be provided to foreign investments in some fields.

#### Taxation

1) Income tax may be levied at a concessional rate of 15 per cent or 24 per cent.

2) The income tax rate may be reduced for special industrial projects in some regions.



3) Regular preferential treatment will continue to be implemented, such as exemption from enterprise income tax for the first three years of operation and a 50 per cent reduction for another two years.

4) Foreign investors are encouraged to launch enterprises that are export-oriented and use advanced technology, transfer advanced technologies, and expand investment. Other preferential treatment in this area includes tax reduction, exemption and refunding, in this aspect.

5) The newly promulgated policies provide that turnover tax may be exempt in the case of technology transfer from foreign enterprises to domestic units, and if the technology is advanced or the terms are preferential, the enterprise income tax may, after approval, also be exempted. Under certain conditions, foreign-funded enterprises that buy domestic equipment may be exempted from income tax or have the value added tax they pay refunded.

6) The new policies greatly expand the scope in which import duty and import link tax are exempted on imported equipment.

#### Foreign exchange administration

1) Foreign-funded enterprises were included in the bank settlement system in the buying and selling of foreign exchange in 1996, and in December of the same year, Renminbi became convertible under current account.

2) In 1999 the foreign exchange for mortgage purposes of foreign invested enterprises is extended to capital funds, and foreign exchange income under current accounts, from being limited to foreign exchange under foreign debt accounts formerly.

3) In 1999 the registration of the record of foreign exchange income settlements under capital account was abolished. There are also policies specially to encourage foreign investment in the central and western areas in China's foreign investment policies. They cover four aspects:

A) Each province, municipality or autonomous region in central and western China is permitted to select one already established development zone in its provincial capital as a candidate for state-class economic and technological development in

which such preferential taxation treatment as a 15 per cent income tax rate and three year's tax exemption followed by two years' tax reduction will be enjoyed.

B) Foreign-funded enterprises in central and western China may enjoy the concessional 15 per cent income tax rate within three years after the general preferential policies are implemented.

C) Catalogues of advantageous industries and projects using foreign investment formulated by the provinces, municipalities and autonomous regions in central and western China shall be implemented after approval by the state. The projects within such catalogues will enjoy the preferential policies granted to projects encouraged by the state, and the equipment and supporting technologies, parts and fittings imported by foreign-funded enterprises for the indicated projects own use, if they are unable to be produced domestically or the function of the domestically produced ones is unable to satisfy the demand, are exempted from import duty and import link tax.

D) When a foreign-funded enterprise re-invests in central and western China, if the proportion of foreign capital is above 25 per cent of the original investment, it will continue to enjoy the treatment granted to foreign-funded enterprises. Foreign-funded enterprises in the coastal areas are permitted to contract for operation and management of foreign-funded enterprises and domestic enterprises in central and western China.

*Oct 13 Asia Pulse*



#### The time is right for franchising in China

Shanghai's Second International Franchise Conference and Exhibition, Franchise China'99, was held on 15-16 November.

The two-day event has attracted domestic and foreign enterprises in sectors such as retailing, catering, home services, education, fashion and computers.

Franchising is relatively new in China. It took up 1 per cent of the country's retail sales last year. Experts predict that in 10 years, sales from franchise stores will make up 10 per cent of the nation's retail sales.



„There will be more franchises in China than any other countries in 10 or 15 years,“ said Leonard N. Swarts, worldwide managing director of franchise services, Arthur Anderson LLP. He based his assessment on the fact that „China has a large population and is a huge consumer market with high levels of economic growth projected.“ The emergence of a young urban middle class in major cities means prospects for international franchisers are better than ever before. Consumer patterns are changing radically. A higher proportion of spending is shifting toward “modern luxuries” such as dining out, household business.

“China has more than 1,500 Chain Stores with annual sales exceeding 100 billion yuan, and the industry continues to grow at a rate of 40 per cent annually”, said Zhang Yuqing, a high-cooperation.

The private sector has become the most active part in the Chinese economy. Meanwhile, many individuals have accumulated a small amount of fortune but can not find an appropriate business opportunity to invest in.

„The franchise business can provide them with a successful management mode and reduce business risks of individual investors, said Li Fei, a consulting expert for China Chain Store & Franchise Association (CCFA). He noted that this kind of business mode is expected to give a powerful boost to the country’s infant service sector, which is crippled by too many small and badly managed firms.

Competition between traditional stores and chain stores may become more intense than ever before. In order to tap the potential market, means such as merger, restructuring, acquisition and partnerships have already been adopted by enterprises to sharpen their competitive edge. The “Regulation on Commercial Franchise Business” issued by the Ministry of Internal Trade on November 14, 1997 creates the first comprehensive legal framework for the operation of commercial franchising systems in China. Most importantly, the Regulation provides express government authorisation for the making and enforcement of franchise contracts and franchiser-franchisee legal relationships in China for the operative purpose of creating commercial

franchising networks.

#### **Reasons why China’s franchise potential is positive:**

- Positive outlook and growth of China’s economy
- Demographic shift and rapidly expanding middle class
- Underdevelopment of the franchise business model
- Evolution from a centrally planned economy to market economy
- The government’s increased support of an “open door” policy
- China’s sensitivity to the legal requirements for the WTO entry
- Decrease in support to State Owned Enterprises
- Government’s interest in developing an entrepreneurial merchant class
- Entrepreneurial nature of the Chinese
- Chinese interest in western products and concepts
- China’s initiation of a National Franchise Association
- Sheer volume of 1.2 billion people

The Chinese market is simply too big to be ignored.

*Nov 16 Shanghai Daily; Nov 16/19 Asia Pulse; Asian Sources*



### **Economic Data**

#### **Chinese value added industry grows 7 per cent in October**

Chinese industry registered 181.8 billion yuan (\$US22.2 billion) in added value in October, up 7 per cent from the same month last year, according to the National Bureau of Statistics. The bureau attributed the slowdown to a high base rate for October 1998 and a prolonged three-day holiday for National Day on October 1. For the January-October period, Chinese industry had an added value of 1,625.8 billion yuan, an increase of 9.1 per cent. The bureau’s report said that the state-



owned enterprises and the joint stock firms had slowed down in production growth, while the foreign-funded, Hong Kong, Macao and Taiwan invested industrial firms speeded up production, which pushed up its monthly added value by 12.3 per cent to 38.9 billion yuan. The state sector completed an added value of 104.5 billion yuan, a yearly rise of 6.8 per cent. Heavy industry had an added value of 103.7 billion yuan last month, up 7.6 per cent, while light industry reached an added value of 78.1 billion yuan, an increase of 6.2 per cent. The sales rate of industrial products went up by 0.41 percentage points to 92.27 per cent in October, due to brisk sales of light industrial products, said the report. With the rise of the export tax rebate and the recovery of neighbouring economies, China's exports picked up in momentum in the last few months. In October, China's industrial firms exported 102.4 billion yuan worth of goods, up 9.4 per cent on an annual basis. For the first 10 months of the year, China's industrial exports rose 8.1 per cent, which is 2.4 percentage points higher than the rate for the first half of this year.

*Nov 10 Asia Pulse*

### Fortune Forum confirms foreign investment trends

The 1999 Fortune global forum has been held in Shanghai on the eve of the founding of the 50th anniversary of the People's Republic of China, indicating that the decision makers of multinational companies have cast their eyes on Shanghai and China as a whole. Statistics show that of the top 500 in the Fortune magazine listing, nearly 400 made direct investments in China and the number of projects undertaken by them has come to more than 2,000. By the end of 1998, 59 of the top 100 invested in 156 projects of the top 100 invested in 156 projects in Shanghai, involving foreign investment of nearly US\$1 billion. The latest news from Pudong claimed that 98 of the top 500 have settled in Pudong, with investment topping US\$8 billion and the number of projects amounting to 181. The projects are concentrated on such pillar industries as automotive, telecommunications, power plant equipment,

petrochemicals, refined chemicals, iron and steel and home electrical appliances industries as well as such high-tech industries as information, modern bio-engineering, pharmaceuticals and new materials. Most of the multinationals among the top 500 came to China after 1992 during the multinational investment rush to the country. According to predictions, China's imports and exports will reach US\$400 billion by 2000 and US\$800 billion by 2010. That means that China will provide an increasingly big market and investment opportunity, and that multinationals hoping to occupy the China market will certainly not be indifferent to the general progress of the country.

*Oct 18 Asia Pulse*

### Western financial giants could be big winners in WTO trade pact

#### Key Points of the Agreement

- Telecommunications: Foreign telephone companies may own 49 per cent of Chinese telephone service providers, increasing to 50 per cent in two years. The United States wanted 51 per cent.
- Internet: Foreigners may invest in Chinese Internet businesses.
- Distribution: Foreigners may establish their own product distribution systems and sell directly to Chinese consumers.
- Services: Foreigners may establish their own repair and maintenance service business in China.
- Entertainment: China will double the number of foreign film imports to 20 annually.
- Banking/Financial Services: Foreign banks may offer services to Chinese customers in two years. China will allow foreigners to own 33 per cent of other financial service providers, and later 49 per cent.
- Vehicle Sales: China will reduce taxes on imports and permit foreign carmakers to sell and finance sales to Chinese customers.
- Tariffs: China will reduce average tariffs from 22.1 per cent to 17.
- Farm products: China will eliminate subsidies of exports.
- Textiles: The United States will abandon quotas





on Chinese textile imports in 2005.

Anti-dumping: The United States will retain safeguards for 12 years to prevent a surge in inexpensive Chinese imports

*Nov 17 International Herald Tribune* 

### **China approves 335,507 foreign firms**

China has approved the setting up of 335,507 foreign-funded firms by the end of August this year, ranking first for six consecutive years in capital inflow among developing countries. China has made a series of measures to attract foreign investment including opening more fields to foreign investors, encouraging foreign businessmen investing in technical renovation, increasing financial support to foreign-funded enterprises, encouraging foreign businessmen to invest in the middle and western parts of China and improving management and service to foreign-funded firms. China has a stable political situation and its national economy develops fast.

*Oct 19 Asia Pulse* 

### **Insurance revenue grow 39.6 per cent a year**


China's insurance industry has been developing rapidly since the country started to adopt the policy of reform and opening to the outside world. From 1980 to 1998, the national insurance revenue soared from 640 million yuan (US\$77.31 million) to 124.7 billion yuan (US\$15 billion), an average annual increase of 39.6 per cent. The growth rate has been much higher than the growth rate of the national economy in the same period. By the end of 1998, total assets of insurance companies in the country had reached 199.08 billion yuan. There are now 25 insurance companies of various kinds, including four solely-funded companies, nine joint stock companies, five sino-foreign joint ventures and seven branches of foreign companies. An insurance market in which the state-owned commercial insurance firms play the major role and the Chinese and foreign insurance companies exist side by side competing with each other has taken shape.

The insurance companies in China have 150,000 employees. There have also been over 230,000 intermediary insurance institutions with a total of 900,000 employees, and nearly 150,000 insurance agent centres with more than 300,000 employees. The number of life insurance sellers has surpassed 400,000 and over 570,000 people have got "insurance agent credentials." From 1989 to 1998 all the insurance firms in the country paid a cumulative total of 262.2 billion yuan of compensation and payment.

*Oct 12 Asia Pulse* 

### **China's pharmaceutical industry develops rapidly**

In the last fifty years, China's pharmaceutical industry has achieved outstanding success with its volume of crude drugs ranking itself among the biggest in the world and with the patented traditional Chinese medicine assuming a considerable scale in production. Its total output value increased from 6.4 billion yuan in 1978 to 163 billion yuan in 1998, according to resources of the Chinese Medical Society. Before the founding of the Republic, there was no pharmaceutical industry in China. There were only some workshops to process western drug preparations or to make simple TCM. But today China not only has a comprehensive pharmaceutical industry, but has some 6400 pharmaceutical enterprises at her disposal. After 50 year's efforts and development, over two thousand chemical manufacturers are now producing more than 1350 kinds of crude drugs in 24 categories, including antibiotics, hormones and vitamins. By its total volume exceeding 30,000 T, only next to the USA, China has become the second largest crude drug producer of the world with its drugs being exported to other countries in the world. In the field of research of new technologies, China also has made many renovations and inventions. The fermentation by two steps for vitamin C and the new process for vitamin B6 are good examples.

*Oct 14 Asia Pulse* 



## Car sales accelerate in 3rd quarter

Automobile sales jumped 31.8 per cent year-on-year during the third quarter of 1999, according to the State Statistics Bureau.

No.1 tourism destination, according to a report from the World Tourism Organisation.

Tourism has become one of China's booming industries.

In 1998, more than 63 million travellers from

Car sales in September		
Name	Sept 1999	Sept 1998
Santana	31,421	17,584
Charade	12,542	7,585
Jetta	7,622	5,358
Alto	5,254	3,274
Fukang-Citroen	4,743	4,564
Buick	3,788	-
Small Hongqi	1,710	478
Guangzhou Honda	1,251	-
Beijing Jeep	816	907
Audi 200	480	730
Sukaru	86	0
<b>Total</b>	<b>69,713</b>	<b>40,480</b>

Nov 19 Asia Pulse



## PCs and cell phone sales push GDP growth to 7.4 per cent

Strong personal computer and mobile phone sales helped China's gross domestic product (GDP) grow by 7.4 per cent during the first nine months of the year, reports the Xinhua news agency.

The first three quarters of the year saw mobile phone sales jump 162 per cent, while 2.07 million personal computers were sold during the period, up 45 per cent over the same time last year, the news agency reports.

Nov 18 Shanghai-abc.com



## China to become world's No. 1 tourist destination

China is expected to receive 130 million foreign tourists by the year 2020, making it the world's

overseas visited China, 35 times the number in 1978. The country's foreign exchange earnings from tourism stood at US\$12.6 billion, 48 times that of 1978.

Nov 11 Asia Pulse; Nov 12 Shanghai Daily



## Consumer confidence on the rise

Consumer confidence is on the rise in China, suggest a recent survey conducted by the State Statistics Bureau. The survey shows that 58 per cent of respondents are optimistic about China's economy, up from 49 per cent in August.

63 per cent of those surveyed expect a better future, 16 per cent expect little change in the future and 4 per cent say things will get worse.

The consumer confidence index rose 0.6 per cent to 95.1 points in October while the consumer satisfaction index fell 0.8 per cent to 89.4.

Nov 25 Shanghai-abc.com





## Reemployment for laid-off still a problem

Laid-off workers and their reemployment remain top social problems in China in 1999 and the coming year, according to a report just released by a research group with the China Academy of Social Sciences. The report said that in the first half of 1999, a total of 7.42 million workers were laid off from state-owned enterprises, and only two million of them found new jobs. Some 95 per cent of these laid-off workers have registered with employment centres and draw an average 170 yuan (US\$20) in monthly unemployment benefits, according to the country's basic living guarantee, the report said. Other job-related problems mentioned in the report include the operation under capacity in quite a number of factories and the underpayment of the workers. It said that with China's industrial restructuring and the reform of state-owned enterprises, the number of laid-off workers will increase, a situation which will continue to be closely watched by both the government and society.

Nov 26 *Asia Pulse*

reason, the paper reported.

China maintains strict control over the yuan's exchange rate. It allows the currency to be converted only for trade purposes and forces exporters to repatriate 70 per cent to 85 per cent of their hard-currency earnings. These controls, and a strong trade surplus, keep the yuan under almost constant pressure to appreciate.

Nov 11 *The Asian Wall Street Journal*

### Top 10 B-share companies - 1999

Company	Market Cap (HK\$ m)
Guangdong Electric	1,397.20
China Intl. Marine	1,257.50
Konka Group	988.4
Tsann Kuen	894.7
Bengang Steel Plates	648.0
Shenzhen Seg Co	601.3
China Mer. Shekou	593.2
Shandong Chenming	537.7
China Southern Glass	453.1
Guangdong Prvl Expr	439.4
<i>Oct asiamoney</i>	



## Finance

### Yuan exchange rate is stable, Chinese official says

"There is a solid foundation for maintaining the stable exchange rate" of the yuan, said central bank Vice Director Shi Jiliang, quoted by the official Financial News. Mr. Shi cited "analysis of China's price trend, economic growth, balance of payments, and foreign-exchange reserves" as

### China lowers reserve ratio

China lowered the reserve ratio for commercial banks from 8 per cent to 6 per cent. The move, which aims to spur lending and economic growth, will add about US\$ 24.16 billion to the banking system. It will also help the Central Bank save money.

Nov 19 *The Asian Wall Street Journal*

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## Foreign Direct Investment in China Declines

Actual foreign direct investment in China from January to October fell 10.5 per cent from a year earlier to US\$32.1 billion, according to Ministry of Foreign Trade and Economic cooperation figures.

Contracted foreign direct investment in the same 10-month period fell 20.6 per cent to US\$ 31.275 billion.

*Nov 19 The Asian Wall Street Journal* □

## China wages war on bad assets of banking sector

China's fourth and last asset management company (AMC) was unveiled here on October 19, marking the formal kick-off of the government's strategy to deal with the massive bad assets of its banking sector. Like the three other AMCs before it, the China Huarong Asset Management Company officially launched today has a registered capital of 10 billion yuan from the Ministry of Finance and enjoys tax immunity and other preferential policies. The four AMCs, established in half year, are government arms to handle the bad assets of China's four major state-owned commercial banks, namely, the Industrial and Commercial Bank of China, the Agriculture Bank of China, the Construction Bank of China, and the Bank of China. The latest official figures show that by the end of September, lending by Chinese banks totalled 9,000 billion yuan, and Dai Xianglong, governor of the People's Bank of China, the central bank, said non-performing loans account for about 10 per cent of the total. The AMCs are authorised to revitalise the bad assets through restructuring, debt-to-equity swaps and liquidation, among other means. They could also sell the creditor's rights and stock rights of the target enterprises to overseas investors. As the four said banks serve as the backbone of China's banking sector, experts say that offsetting their bad assets would lay a solid foundation for the stability of the entire banking sector. Tang Xu, a senior official of the central bank, said the total assets of China's state-owned commercial banks

have been increasing quickly in the past two decades with the country's rapid economic growth, but their reserve fund has been dropping relatively. The strip-off of the bad assets from them would strengthen their paying capacity remarkably, he added. Kathie Krumm, chief of the Economics Unit of the World Bank's representative office in Beijing, said China would be able to control the potential risks of its banking sector if the government's strategy to settle non-performing bank loans could be effectively implemented. Yan Haiwang, a central bank deputy governor, expressed his confidence at the AMCs, saying that they would play a major role in controlling the financial risks and promoting the reform of China's state-owned enterprises.

*Oct 20 Asia Pulse* □

## China to open gold market in three stages

China should open its gold market in three stages, according to Liu Shijin, a leading official of a research project on China's gold market. First, to establish a gold exchange and reform the existing state monopolistic policy and corresponding control mechanism, with the central bank lifting the control over purchase and allocation or sale step by step, allowing gold exchange to complete the links between production and distribution. Second, to open the domestic market, allowing individuals to hold gold as investment product and participate in gold trading. Third, to make the gold market part of the international gold market. Conditions are ripe for China to reform the gold control system and open the market, according to economist Fan Gang.

*Nov 19 Asia Pulse* □

## China's new funds report big asset increases

Half of the 14 listed securities investment funds, known as new funds, released encouraging interim reports. The seven are Jintai, Kaiyuan, Xinghua, Anxin, Yuyuan, Puhui and Hansheng. The per-





unit net assets of these funds averaged 1.524 yuan, a half-year surge of 47.89, and the growth was bigger than that of the main board. Meanwhile, their average yield was 0.1375 yuan. Among the seven, Puhui and Hansheng started operation in early January and May. By the end of June, the stocks held by these funds ranged from 1.9-2.7 billion yuan in market capitalisation, which analysts said implied managers' confidence of the stock market. In face of recent continued corrections, they still believe the market has a bright future. In its interim report, Yuyang expects more direct stimuli from the government to further activate the market. New channels of mid- and long-term financing for securities dealers and expansion of securities investment funds will increase the fund supply and improve the mix of investors; meanwhile, the overall economic movement favours the improvement of business operations by listed companies, says the report, adding that it sees more opportunities, rather than risks, on the market, and will make mid-term investment. Hua'an, manager of Anxin, is also optimistic about the market prospects. Company sources said that it will focus on environment-protection industry, and such high-tech and internet-related companies as in software development, electronic information, e-commerce and cable television. According to Puhui's manager Penghua, besides state firms with good potentials, the fund eyes on well-performing businesses in the fields of telecommunications, information network, environment protection, infrastructure, new materials, military technology and high-tech oriented agriculture.

Oct 14 *Asia Pulse*



year and earlier this year, state media reports said Friday.

For the first 10 months of the year, exports rose 4.3 per cent, compared with the same period last year, the report said. The January-to-October export performance left China with a net trade surplus of US\$ 23.8 billion.

The report also said imports for October rose 18.2 per cent to US\$ 13.8 billion. And for the first 10 months, imports rose 19.2 per cent to US\$ 131.4 billion.

In October, the trade surplus totalled US\$ 4.4 billion, it is considered key to continued stability in China's currency, which is exchanged under the current, or trade account only.

China's central bank has pledged to keep the currency steady this year. With the massive trade surplus and more than US\$150 billion in hard reserves, traders and economists say there's no fundamental pressure on the yuan.

Nov 15 *The Asian Wall Street Journal*



Trading partner China		
Year	German exports to China	German imports from China
1995	10784	15989
1996	10887	19012
1997	10629	21534
1998	11900	23181
Jan-Aug 1999	8815	16175

Source: Statistisches Bundesamt



## Import/Export

### China's exports rose 23.8 per cent in October

China's exports rose 23.8 per cent in October to US\$ 18.2 billion – marking the third straight month of annual increase after sharp declines last

### State boosts gas supply

China will continue to import natural gas, but only to supplement its current supply until the country develops its own vast resources, according to a chief economic official.

China has estimated natural gas reserves of 38 trillion cubic metres, but has exploited only about 5 per cent.

The nation's demand for natural gas will soar in the next century. One reason for the projected expansion is the growth of population and the increasing industrialisation of the nation's



economy. But a major reason is the country's efforts to reduce its air pollution problems by switching from pollution-causing soft coal to natural gas, which presents fewer problems.

*Nov 12 Shanghai Daily*

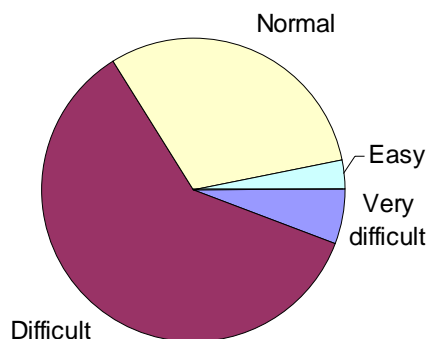


## German Executives Poll

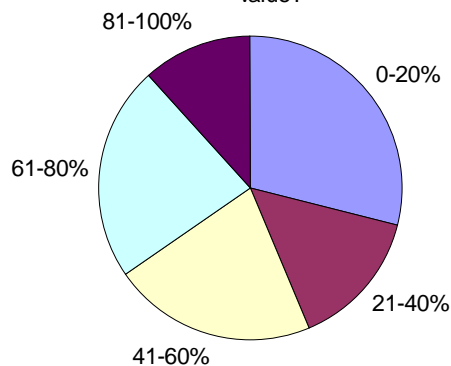
As an 'Info-Flash' special feature, the Delegation of German Industry and Commerce publishes the results of a monthly survey conducted among German managers in East China on various, currently relevant topics.

The topic of the October survey was **Local procurement, sourcing local suppliers**. Questions and answers were as follows.

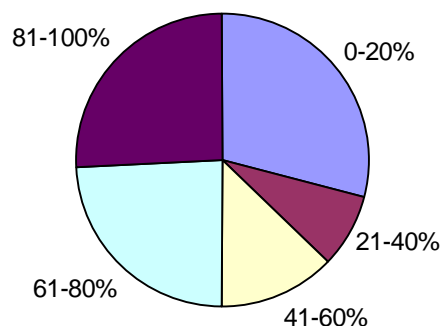
How difficult is it for your company to source local suppliers?



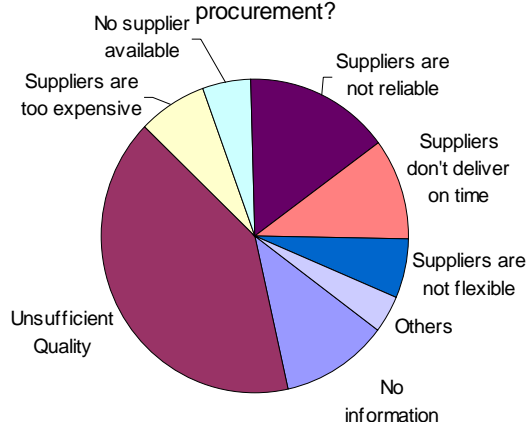
What is the percentage of local procurement concerning the product's value?



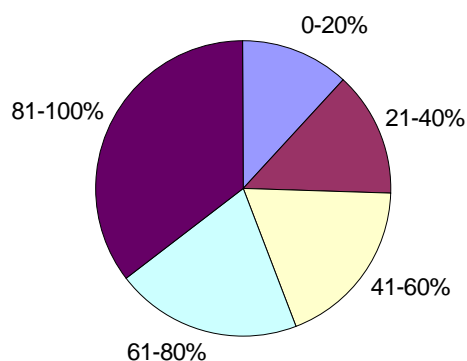
What is the percentage of local procurement concerning the number of components?



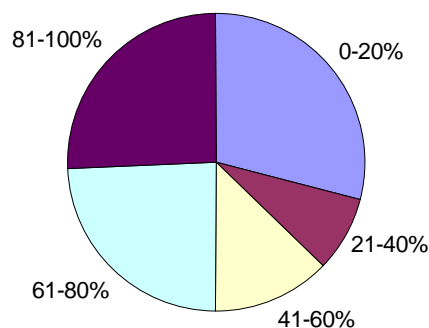
What are your major problems concerning local procurement?



What is the ratio (own net product)/(total net product) of your finished goods?



What is the percentage of local procurement concerning the number of components?



**Business news****Siemens contracts in China worth millions**

The Siemens AG has concluded two skeleton contracts worth millions, to expand mobile telephone networks in China. The total volume of the two contracts will be about Euro 70 million (DM 137 million).

Siemens will expand, as sole supplier, the GSM-900 network of the Chinese mobile telephone operator Anhui Mobile Communication to a capacity of 1,8 million subscribers. Siemens has also been commissioned to expand the 1800 network of Anhui Mobile Communication.

Expansion of the mobile telephone network in the East Chinese province Anhui by the Siemens Group for Information and Communication Networks is to be finished by the second quarter of 2000.

Siemens received its first commission by Anhui Mobile Communication in 1995. This is Siemens's fifth order, as sole supplier, for expanding Anhui's GSM-900 network.

*Nov 17 Wirtschaftswoche online*

**Henkel to move its China head office to Shanghai**

Henkel, a global leader in applied chemistry, is set to establish its China headquarters in Shanghai next year, making the city the focus of the firm's operations in China.

Henkel's operation in China focuses on three different business fields of cosmetics, surface technology and oleochemicals.

*Nov 23 Shanghai Star*

**Bayer, Shanghai firm to build JV polycarbonate**

The German Bayer Company Ltd. and the Shanghai Chlor-alkali Chemical Industrial Company Ltd. have signed a letter of intent

recently in the Great Hall of the People in Beijing for building a world level chemical works. According to the letter of intent, Bayer Company Ltd. and Shanghai Chlor-alkali Chemical Industrial Company Ltd. will jointly establish a world-class chemical works in Shanghai to produce polycarbonate products. The project involves a total investment of US\$450 million. The Bayer Company Ltd. will offer 90 per cent of shares and the Shanghai Chlor-alkali Chemical Company Ltd. holds the remaining 10 per cent. The spokesman for Bayer Company said that the agreement is a milestone for the company, and the project has displayed Bayer's long-run confidence in the Asian market. Meanwhile, it will help consolidate Bayer's standing and play a strategic role in leading the production of polycarbonate worldwide. The approved project will be completed in two steps. The first phase includes the construction of a polycarbonate plant with an annual production capacity of 5,000 tons. It is scheduled to go into production in the year 2003. When the second stage is completed by the year 2005, the production capacity will be expanded to 100,000 tons. In addition to the polycarbonate plant, Bayer will build parent and mixed production installations and the necessary infrastructure.

*Nov 26 Asia Pulse*

**Aap Implantate signs sales agreement**

aap Implantate AG signs exclusive sales agreement with sales partner in the People's Republic of China. Aap has signed an exclusive sales agreement with a Chinese company, P&T Technology Co., Beijing. Given the size of the Chinese market and its potential, this move represents a further cornerstone in aap's strategic internationalisation.

*Nov 30 n-tv online*

**Opel Vectra sells well on Chinese market**

Opel Vectra, the bestseller in Europe for five successive years, has proved a hit on the Chinese market since its debut four months ago. Its monthly sales average more than 200 units,



ranking second among imported cars. The China Imported Car Trading Centre has attributed the good sales to the excellent performance and low prices of the model, which was described as having “the luxuries of European cars and a price of Japanese models”. Opel Vectra is equipped with the low-emission and energy-efficient ECOTEC2.0-liters 16-valve motor, technology of automatic kickdown to neutral position and inclinable steering column. It sells for 315,000 yuan (about 37,900 US dollars) in Beijing, 150,000 - 250,000 yuan cheaper than other European models of the same calibre. The fast sale of Opel Vectra is also attributable to the importer’s accurate market positioning and marketing strategy.

*Nov 8 Asia Pulse*



### **Mannesmann launches base in Shanghai**

Germany’s Mannesmann Sachs AG, the world’s leading automotive parts supplier, said it has established a US\$ 19.33 million joint venture in partnership with Shanghai Huizhong Automotive Manufacturing Co Ltd. to produce shock absorbers for Shanghai Volkswagen’s new Passat sedan.

Mannesmann (China) Ltd, a wholly owned subsidiary of parent Mannesmann Group, holds a 50 per cent stake in the new company, while the rest belongs to Shanghai Huizhong, one of the largest automotive components manufacturers in China. Regular production is scheduled for early 2001. The annual capacity will reach 1.825 million shock absorbers in 2004.

Mannesmann was the first German company to set up a representative office in Beijing in 1977. In 1987, Mannesmann Sachs started its involvement in China’s automotive industry by signing a licensing contract for clutches, which are now being supplied to outfit domestically produced vehicles. At the end of 1998, the 18 Mannesmann companies in China employed 2,000 and generated annual sales of about US\$ 100 million.

*Oct 27 Shanghai Daily*



### **Allianz hails China’s buyer-stimulating policy**

Shanghai should speed up the development of its electronic, pharmaceutical and tertiary industries to cater to global economic development. The insurance sector, called “the industry of the 21<sup>st</sup> century,” is set to greatly propel the growth of Shanghai economy. The Allianz Group is very optimistic and confident towards the realisation of this year’s goal. The company has proposed many new kinds of products which are very competitive in the Chinese market. They will continue its efforts to tap the entire Asia-Pacific market and has acquired two joint venture companies in Taiwan and one solely-owned company in South Korea. The Allianz Group increased its premium income by some 19 per cent in the first half of the year, and the profit forecast for the full 1999 business year is also positive to be more than 10 per cent.

*Oct 1 Shanghai Star*



### **Transformers for Chinese impounding dam project**

The Siemens subdivision Power Transmission and Distribution is to deliver 15 machine transformers to the People’s Republic of China for the Three Gorges Dam Project. The magnitude of the order is DM 87 million. The commissioning customer is the Board of the Three Gorges Tendering Company (TGT) which is subordinate to the State Council of the People’s Republic of China. The transformers in question are three-phase generator transformers with converters and water coolers. The rated output is 840 megavolt amperes, with an output voltage of 550 kilovolt. Part and parcel of the order are, in addition to the transformers themselves, comprehensive technological services and technology transfer.

*Oct 14 China Contact*





## **Survey: Foreign investors in Shanghai are satisfied with the Chinese economy**

According to statistics recently published by the Shanghai Foreign Trade and Economic Committee, 61 percent of the 111 multinational investors surveyed in Shanghai had a positive opinion concerning China's economy and 78 percent were confident that Shanghai would have a propitious future as a business site. 27 per cent of the enterprises surveyed were generally optimistic concerning Asia's economic development. At present, 250 of the world's 500 most successful enterprises and 59 of the 100 biggest multinational concerns are represented in Shanghai. More than 75 percent of those surveyed declared that they were satisfied with the city government's investment policy and stated that they would expand their investments. 67 per cent were of the opinion that investing in Shanghai could lower their costs.

The main reasons given for investor confidence are the stability of China's currency, the drop in bank interests and customs duties as well as the resolute nationwide campaign against smuggling. 50 percent of those surveyed, however, said that the complicated and lengthy procedure for registering and authorising foreign-invested enterprises were obstructive and cumbersome. In view of recruiting more foreign investors for Shanghai, the city government plans to set up information centres in other countries in order to be able to better advise foreign enterprises considering investment in China. Furthermore, registration procedures are to be simplified, preferential treatment is to be granted to private companies and joint ventures, and investment in the sectors technology, medicine and education is to be promoted.

*Sept 30 China Contact*



## **Foreign firms in China to get tax breaks**

China's State Council has decided to offer more tax holidays to foreign-funded enterprises involved in key government-supported sectors in the country's central and western regions. The planned tax reductions, effective January 1, 2000,

will allow foreign-funded firms to pay business income tax at a rate of 15 per cent for another three years following the expiration of preferential tax treatment currently given to such firms. Moreover, foreign businesses recognised as high-tech firms or those that export more than 70 per cent of their annual products will enjoy a 50 per cent reduction in business income tax, but the tax rate should be no less than 10 per cent.

*Nov 26 Asia Pulse*



## **Beijing publishes project guide for foreign investors**

A guidebook outlining 78 key projects in China's capital city was released recently to provide a reference for foreign investors. Government officials say that this is the first time the city has published this kind of guidebook. Project areas range from information science, pharmaceuticals and new materials to environmental protection and resource utility. They will be given development priority over the next two years. Wang Jianping, of the Beijing Science and Technology Committee, says that the book will be useful for making investment decisions. It describes government preferential policies for loans, taxation and financial support. He says that the city has an abundance of technology and talented people, making for great opportunities for multinationals. Altogether 15 multinationals have set up research and development offices in the Zhongguancun High-Tech Garden.

*Nov 3 Asia Pulse*

**IT**

## **China to switch off ATMs on New Year's Eve**

Because of the Y2K problem China is planning to switch off all ATMs on New Year's Eve. According to official numbers China has spent around 10 billion yuan to prepare for the turn of the millennium.

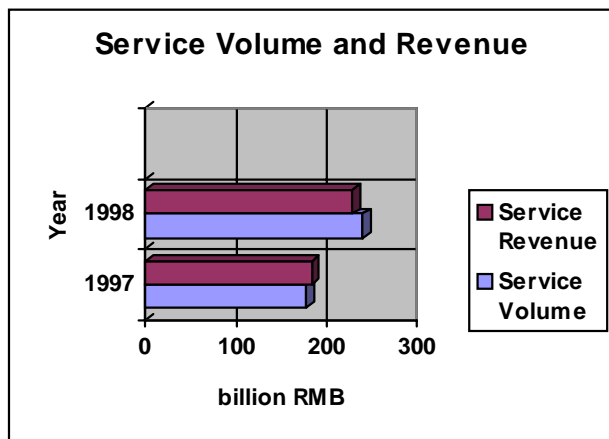
*Nov 8 Wirtschaftswoche*



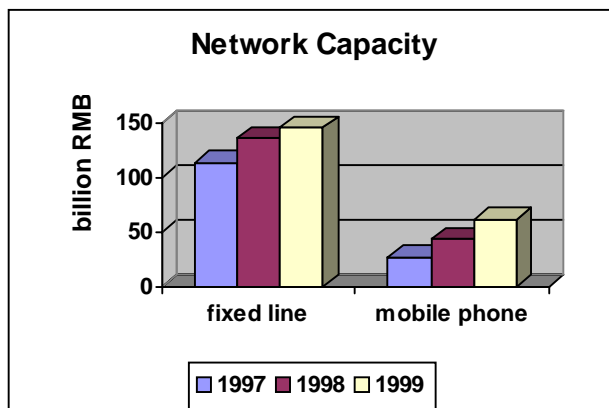


## China's Telecom market in the first half of 1999

China's telecom service volume increased by 35.7 per cent to 241.37 billion RMB in 1998 compared to the figures in 1997. Accordingly the telecom revenues increased by 45.9 billion RMB to 229.4 billion RMB. For the first 6 month of 1999 the following figures were recorded: the service volume amounted to 134 billion yuan, 36.7 per cent up compared to the same period in 1998, the revenues hit 107 billion yuan.

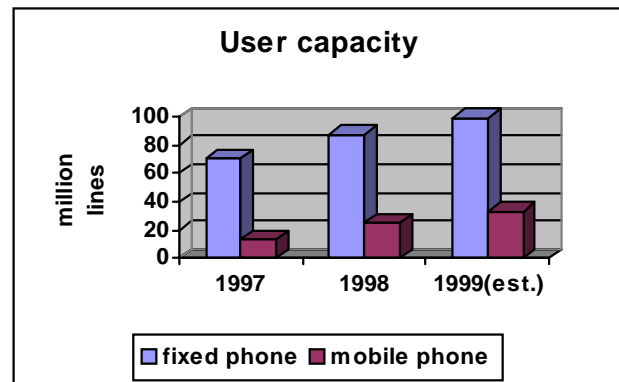


Concerning the network capacity the installation of public exchanges in 1998 reached 22.21 million lines. The fixed line capacity is now 135 million lines and the mobile phone capacity has increased by 16.79 million lines bringing the total to 43.65 million lines. For the first half of 1999 the planned installation was set for 20 million lines each. The fixed lines hit 10 million and for the mobile phone sector 17.79 million new lines were reached.

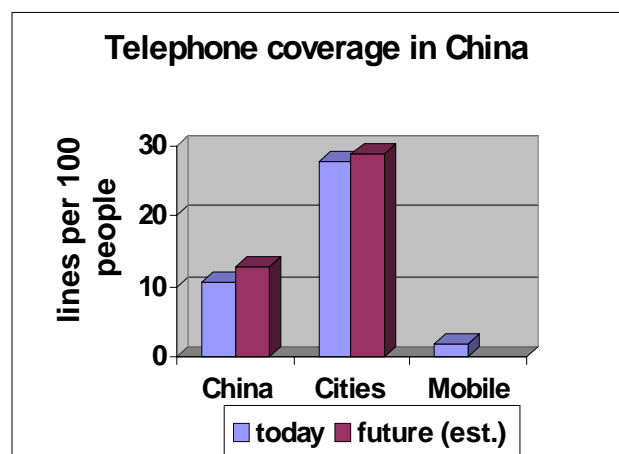


In China there are 10.64 telephones for every 100 people in the whole country. The rate is much higher in the cities where coverage hits 27.7 per cent. For mobile phones the rate is estimated at 2

per cent. Referring to an estimate the telephone coverage is supposed to grow to 12.9 per cent and 29 per cent in the cities.



China offers a lot of chances in the telecom sector and therefore many global telecom players have targeted this interesting market and moved their operation to China. As a result they bring the newest technology and advanced equipment with them which also further advances the technological level of the telecom networks in China. But today domestic manufacturers, which have a market share volume of 100 billion yuan, also provide telecom products and equipment. Annual sales of the four main producers Great Dragon, Datang, Zhongxing and Huawei exceeded 17 billion yuan.



As more and more domestic companies enter the telecom market the current situation can be best characterised with strong competition, oversupply and price wars. In response to domestic circumstances some powerful local producers have targeted foreign markets for exploration with initial success already achieved. In the beginning of 1999 serious oversupply triggered a price war. Adjacent to the negative



effects for the long-term development of companies it will also deteriorate the quality level of the products note experts.

Concerning the mobile phone sector communication has not spread widely in rural areas yet. Especially in central and western parts of China, where the economy is less developed, people still have to familiarise themselves with the usage of mobile phones. In China the mobile phone market is dominated by foreign products. Motorola was the first to introduce the mobile phone to China and was closely followed by Ericsson and Nokia. The Big Three share 85 per cent of the Chinese mobile phone market, and another four strong competitors (Siemens, Matsushita, Philips and NEC) share 11 per cent, but they will have to face increased competition by local producers. This will lead to lower prices and in this way affect profit margins. The price for a mobile phone has dropped from an initial level of 30.000 RMB in its earliest stage to 10.000 RMB in 1996. Today the price range is between 1.500 to 4000 RMB.

*Nov 2 Asia Pulse*



### **China earmarks 400 Mio RMB for developing national mobile communication system**

Four hundred million yuan out of the 60 billion yuan treasury bonds issue by the Ministry of Finance on September 3, 1999 will be earmarked to support the development of national mobile communication equipment producers, revealed an official with the Electronics and Information Products Management Department under MII. Priority will be given to the production of digital mobile communication system equipment, mobile phones and related elements and devices. The mobile communications industry, a rising industry in China, has grown rapidly over the past few years, becoming a significant contributor to the development of the national economy. However, foreign giants still dominate the mobile communication equipment market. In a bid to step up developing the national mobile communication manufacturing industry, the state has worked out measures since the beginning of

this year. For instance, it has decided to allocate 5 per cent of the phone installation fee for the R&D and industrialisation of digital mobile communication equipment annually; no more Sino-foreign joint ventures or wholly foreign-funded ventures will be approved to produce mobile communication equipment, and foreign-funded producers only approved by local governments since 1994, need to be reconfirmed. In addition, the state stressed that it will tighten control over the general quantity of mobile communication equipment, while the existing wholly foreign-funded ventures and Sino-foreign joint ventures must strictly abide by the mobile communication equipment production quota and proportion of products sold domestically. The 400 million yuan will undoubtedly propel the industrialisation of homemade digital mobile communication equipment and development of related industries, said the official. With a view to launching the T-bond project, the State Development Planning Commission has held a meeting concerning the localisation of digital mobile communication equipment in Shenzhen recently.

*Oct 13 Asia Pulse*



### **EU to strengthen high tech cooperation**

Senior Chinese and European Union (EU) officials said in Beijing on Oct 15 at a press conference that the two sides will further expand cooperation in high and new technological fields. Chinese Minister of Science and Technology Zhu Lilan said that China will list information technology, biological engineering, new materials, and energy on the list of priorities for cooperation with the EU. She made the remarks at a press conference here following the end of the two-day Science and Technological Ministers Meeting of Asia-European Meeting. Jorma Routti, director-general of the Directorate-General XII of the European Commission said at the press conference that according to the scientific and technological cooperation agreement signed by the EU and the Chinese government, the EU will open its high-tech research and development programmes to China. He said bilateral cooperation will include changes in the global




climate, the security of trans-gene foods, common standards in field of telecommunications and several other areas. Routti said he believes EU-China cooperation will benefit both sides. A Academy of Sciences (CAS), and the National Natural Science Foundation, have decided to jointly invest 12 million yuan (US\$1.4 million) to build several high-energy physics installations for the European Centre for Nuclear Research.

*Oct 18 Asia Pulse* 

### Asian crisis focuses business on e-commerce: IBM Exec

The economic crisis which hit Asia in mid-1997 had made the business fraternity in the region focus on strategies such as e-commerce, said Steve Stine, marketing manager e-business, IBM Asia Pacific. South Korean corporations, including some chaebols, had recognised the need to adopt a new strategy and try e-commerce (electronic commerce) in their business operations for orders and managing supplies and inventory. IBM had organised the e-business solution show which was specially developed for small and medium enterprises. Stine said IBM was surprised at the level of e-commerce awareness among the business communities of the region, especially with e-business solutions being initiated by line-of-business managers instead of IT (information technology) people. However, the e-business approach adopted by the countries in this region was quite different from that of each other. He cited an example in China, where e-business solutions were used for networking within a business organisation while in Japan, the companies utilised e-business to enhance their relationship management to retain valued customers. It was only in Australia that a semblance of e-business usage with that in the United States was noted and where security for transactions was no longer an issue, Stine said. He added that Asia Pacific companies are looking to e-business as a means of integrating multiple business processes. Stine advised companies that want to get involved in e-business to plan their strategies carefully. He said if they go into it blindly without fully examining the internal and

external barriers to growth, the e-business initiative can add, rather than reduce, costs. Such initiatives could only serve the IT department's requirements, rather than the customers', expose companies to risks and create opportunities for their key competitors, he said. However, if e-business initiatives were carefully planned and executed in line with the company's underlying business requirement, the company's competitive edge could be improved dramatically, its reach to customers extended, its customer loyalty enhanced and its reaction time, especially to customers, speeded up, he added.

*Oct 13 Asia Pulse* 




### Law

#### Risk capital law may come early

China may introduce a venture capital law that covers securities investments before the earlier announced target date of late 2002, the China Securities newspaper reported. Drafting of the law began seven months ago.

The newspaper said China has already registered 22 venture capital companies, which have about 4.63 billion yuan (US\$558 million) funds.

*Nov 12 Shanghai Daily* 

#### China admonishes foreign market researchers

Beijing has admonished foreign market research companies to respect the newly issued "Provisional Regulations Governing Foreign Market Research Activities" which came into force in August 1999. According to these new regulations, foreign companies are forbidden to do field research on data, which has been covered by the State Statistical Bureau. All market surveys now require authorisation beforehand by the Statistical Bureau and the results must be presented to the Bureau before they are passed on to the client. International lawyers are not yet clear concerning the interpretation and application of



the new regulations.

The State news agency Xinhua quoted a representative of the State Statistical Bureau as saying that industrial enterprises with foreign capital investment in China may continue to do market research unimpaired by the regulations as long as the research concerns their own products. For surveys outside of their domain, however, they must commission Chinese market research companies. This complicates assessment of market potential in preparation of market entry or expansion into new fields.

*Nov 3 Asia Bridge*



### **Attention to copyright holders**

Given priority of cracking down on the sources of piracy, the Copyright Bureau has snuffed out 80 underground piracy production lines since 1995, said Xu Chao, a vice-director with the bureau. He said his agency will give more attention to copyright holders. - Research and deployment of the Anti-Ballistic Missile (ABM) system goes against the will of the people, Chinese Foreign Ministry spokesman Zhu Bangzao said when commenting on the adoption of a resolution on the preservation of and in compliance with the ABM Treaty by the First Committee of the United Nations General Assembly.

*Nov 8 China Daily*



## **Environment**

### **Beijing tries to solve water pollution**

The nation's capital, plans to spend 21.5 billion yuan (US\$2.6 billion) to resolve water pollution problems by 2010. The programme aims at getting rid of rubbish floating in 30 rivers and 600 hectares of lakes in the city, planting trees along the banks, and helping fresh-water fish return to the lakes.

A survey reveals that 80 per cent of Beijing's lakes and rivers have been polluted and the city has

become one of the most seriously polluted cities in the world. According to a new regulation, the Beijing municipal government will severely punish those work units and persons who dump harmful waste products into rivers and lakes.

*Nov 16 China Daily*



### **Junked batteries pose major risk**

Over 1 million carelessly discarded lead acid car batteries pose a serious risk to the environment, according to the Shanghai Municipal Bureau of Environmental Protection.

Officials said vehicles in the city produce 2.5 million dead batteries every year, and only 40 per cent are recycled. Battery acid has also been dumped into rivers, canals and creeks.

"Lead and acid, the chemical components of a battery, harm people's health," said Zhou Yingqi, an official with the bureau's pollution control office.

Zhou said the toxic materials seep into the earth and poison ground water. The city has 10 facilities for recycling lead acid batteries.

Independent recycling operations fail to follow recycling guidelines, a source with the bureau said. The situation is particularly serious in Zhabei District and Qingpu County.

*Nov 12 Shanghai Daily*



### **China environment body regulates retrofitting of vehicles**

The State Environment Protection Administration (SEPA) has recently issued regulations on retrofitting motor vehicles in use for emission control. According to the regulations, local environmental protection departments can determine the models that need to be refitted in line with local conditions. Producers of the models involved must work out technical plans and programmes for refitting, and submit them to SEPA; in cooperation with relevant departments, SEPA will certify the plans and programmes for implementation by the vehicle producers. Local environmental protection departments will supervise the





implementation. SEPA notes that control of exhaust will rely mainly on the use of unleaded gasoline, electronics fuel injection, and catalytic converters. The agency stresses that compulsory certification of catalytic converters will be made, and only certified converters can be marketed and used. Certification of electronic ignition device and magnetic fuel cleaner will not continue; for those that have been certified, the certification will remain valid till the end of 2000 provided the products prove qualified in re-examination. SEPA urges local environmental protection departments to carry out economic and technological feasibility studies before taking measures to control emission pollution in the light of local conditions. It also notes that local environmental protection departments are not allowed to make duplicate certification of pollution-control products that have been certified by the State, or to appoint any other pollution-control products as compulsory choice for users.

*Oct 20 Asia Pulse*



### China to ban use of freon in car air

All new vehicles equipped with air-conditioners must be freon-free starting from January 1 2002, according to sources with China's State Environment Protection Administration (SEPA). This is aimed at protecting the ozone layer, said the sources, adding that SEPA and the State Machine-Building Industry Bureau (SMIB) will jointly promulgate a policy before July 2001, making this one of the compulsory items for the examination of new vehicles. SEPA will also co-ordinate with the Ministry of Public Security and jointly issue a document which will provide that permits are issued only to air-conditioned vehicles with freon-free marks, the sources disclosed.

*Oct 18 Asia Pulse*



### More efficient use of water resources is feasible

Worldwide, ever more frequent water shortages are expected. Private investment in water supply projects and other steps to encourage more

efficient use of the resource – especially in agriculture – could, however, diminish or even solve the problem.

China greatly depends on irrigation farming. 70 per cent of the grains it produces to feed its population of 1,2 billion grow on irrigated land. At present, water reservoirs are being depleted to supply the rapidly growing cities and industries. This significantly lowers water levels practically everywhere in China. According to environmentalist Lester Brown: "The ground water tables in large parts of north China, which grows about 40 per cent of China's grain, are sinking, year after year, at a rate of about 1,5 meters a year". The looming ubiquitous water shortage in China could drastically increase its demand for imported grains and hike up the world market prices for grain. A chronic nationwide water shortage in China – according to numerous sceptical voices in the UN and World Bank – could soon lead to a global grain shortage, under which particularly poorer third world countries would suffer

*Nov 4 Handelsblatt*



## Infrastructure

### China builds more transport infrastructure this year

China spent 32.373 billion yuan (US\$3.9 billion) on constructing railways in the first three quarters of this year. Included were 27.52 billion yuan spent by the Ministry of Railways, or 57.8 per cent of the annual quota. Projects completed and put into operation by the end of September this year included the double-tracking of the southern section of the Beijing-Kowloon Railway, the Litang-Zhanjiang Railway, and the first phase of the Lanzhou-Yantai Railway. The Handan-Jinan and Nanjiang (south Xinjiang) railways have been put into service. Work to double-track the Baoji-Chengdu, Zhuzhou-Liupanshui and Xinxiang-Heze railways, and to electrify the Neijiang-Kunming and Harbin-Dalian railways is proceeding smoothly. China invested 130.66





billion yuan in the construction of highways, an increase of 14 per cent over the same period of last year. The country is currently building 285 key highway projects with a combined length of 27,000 kilometres. The expressways have stretched to 28 provinces, municipalities and autonomous regions including the Xinjiang Uygur and Ningxia Hui autonomous regions. Progress has been made in the port construction. Statistics show that four of the six berths being built at the first stage of the Dayaowan port district of Dalian, Liaoning Province, have been built and put into operation; and the construction of the second stage of the Qianwan port district of Qingdao, Shandong Province, has just been completed. Part of the single projects of the first phase of the Xinsha port district of Guangzhou, capital of Guangdong Province, has passed examination; the first phase of the a channel for 100,000-DWT -class ships in the Xiamen Bay has just opened to traffic. The Changbei Airport of Nanchang, capital of Jiangxi Province, and the Meilanxin Airport of Haikou, capital of Hainan Province, have opened to service. Airports in Kashgar in the Xinjiang Uygur Autonomous Region, Xiamen in Fujian Province, and Kunming, capital of Yunnan Province, have been expanded. The Shanghai Pudong International Airport and the new terminal of the Capital International Airport opened to service.

*Nov 25 Asia Pulse*

### **China invests more in highway construction in 1999**

China spent 130.66 billion yuan (US\$16 billion) on highway construction in the first nine months of this year, accounting for 72.59 per cent of the annual quota and up 14 per cent over the year-earlier period. According to Li Juchang, Vice-Minister of Communications, the country's top ten provinces and regions in term of highway investment are Xinjiang Uygur, Ningxia Hui and Inner Mongolia autonomous regions, and Qinghai, Heilongjiang, Jilin, Henan, Jiangsu, Hebei and Shandong provinces. Statistics show that construction of 277 key highway projects used 60.67 billion yuan during the January-

September period, or 53.7 per cent of the annual investment quota, and up 5.2 per cent over the year-earlier period. A sum of 41.64 billion yuan was spent on the construction of China's five trunk highways running from north to south and seven trunk highways from west to east during this period, fulfilling 51.9 per cent of the annual plan. The vice-minister noted that the construction has helped expand consumption demand on the domestic market and provided jobs to surplus labour. A survey shows that the construction had employed 2.73 million labourers by the end of September, and consumed 2.97 million steel products, 31.49 million tons of cement, 1.13 million tons of timber, 1.77 million tons of asphalt, 249.24 million cubic meters of sand and stone materials and 4.08 million tons of petrol and diesel oil.

*Oct 28 Asia Pulse*

### **Shanghai Pudong International Airport Customs**

The Pudong International Airport Customs became operational on Nov 18 in Shanghai, following the airport's opening on Oct 31. Cao Hengli, head of Shanghai Customs, said the opening of the Pudong International Airport Customs will help Shanghai become an important air hub in the Asia-Pacific region and will encourage an economic leap forward for the city. Last month's airport opening made Shanghai the only Chinese city with two international airports. The city has been working hard to build itself into an international economic, financial and trade centre. Preparations for building the new customs centre started in August last year, and the customs started trial operations at the end of September this year during the Fortune 500 global annual meeting in Shanghai. During the initiation period, the customs provided service for 562 distinguished guests, overseas correspondents and 31 chartered planes to the airport.

*Nov 19 Asia Pulse*



## **China starts construction of its biggest shipyard in Pudong**

Construction of the Waigaoqiao Shipyard, China's largest, began on October 18 in the Pudong New Area of Shanghai. The first phase of the new shipyard, covering an area of 1.44 million square meters, will involve the building of two large dry docks and have an annual shipbuilding capacity of 1.05 million tons, mainly super-large oil tankers and large vessels, when it is completed in three years. When the second phase is finished, this capacity will increase to 1.8 million tons. Local experts noted that this project will intensify the international competitiveness of China's shipbuilding sector in building large and high-tech vessels. The Waigaoqiao Shipyard Co., Ltd. is being created by three national industrial groups, including the China Shipbuilding Industry Corporation, the Shanghai Baoshan Steel and Iron Group, and the Shanghai Electric Group. The China Shipbuilding Industry Corporation holds over 50 per cent of the shares in the new shipyard.

Oct 19 Asia Pulse



## **Southwest China to build Chengdu Nanchong expressway**

Sichuan Province, south-west China, plans to build an expressway running from Chengdu, its capital, to Nanchong City in the middle of the province. The 214-kilometer-long expressway is estimated to cost 6.3619 billion yuan, including 250 million US dollars (one US dollars equals 8.3 yuan) loaned by the Asian Development Bank. It is the most expensive expressway ever built in the province in this century.

Nov 4 Asia Pulse



## **China to encourage building more subways**

The Chinese government will encourage big cities to build more subways to relieve traffic congestion and air pollution caused by the increase of urban population and vehicles, according to the Ministry

of Construction. The development of subways will also boost the production of machinery and electronic products. China has 90 km long subways in Beijing, Shanghai, Tianjin and Guangzhou, while big cities in developed countries usually have subways 200 to 300 km long. Experts said that high costs hold back the development of subway systems in China. As the price of subway tickets remain low, it will take long to get back money invested in developing and expanding subway systems.

Nov 5 Asia Pulse



## **Fairs calendar Shanghai**

### **Shanghai to hold 1st International Industrial Fair**

The 1st Shanghai International Industrial Fair is scheduled for December 13-17. The fair is jointly sponsored by the Shanghai Municipal government, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic cooperation. Displayed on the fair will be new and high-tech, electronic information products, electrical equipment, biomedicine and new materials. Offered for trading will be 1,600 research achievements and property rights of 200 small and medium-sized enterprises. The fair will lay out 550 booths for Shanghai's 400 state-owned firms, foreign-funded firms and universities and 30 foreign enterprises. Shanghai generated 589.7 billion yuan in industrial output value in 1998. Of the 15.9 billion US dollar worth of export products, 16 per cent were products produced with new and high technology and 40 per cent were electrical and mechanical products.

Nov 18 Asia Pulse



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event	from	to	organizer
Intl Petroleum and Petrochemical Exhibition 99	99-11-17	99-11-20	BNAEC
China Gas 99	99-11-17	99-11-20	CW TC
IED 99-Intl Exhibition on Exhibition and Display Equipment	99-11-24	99-11-27	CW TC
China International Door & Window Construction Equipment & Technology	99-11-22	99-11-25	BEC
99 China Intl Packaging Technology Exhibition (CIP)	99-11-23	99-11-26	CIEC
Motorcycle Expo 99	99-11-30	99-12-4	CIEC
China Building 99	99-12-1	99-12-4	CIEC



### Fairs calendar Guangzhou

Event	from	to	organizer
The 3rd Int'l Exhn. on Die and Mould '99	99-11-9	99-11-12	CFTC
The 3rd International Exhn. on Environment Protection Technology & Equipment	99-11-9	99-11-12	Shenzhen
'99 China International Screen Printing & Advertising Board Exhibition	99-11-21	99-11-24	CFTC
5th China Stone Guangzhou '99	99-11-25	99-11-28	CFTC
'99 International Telecom, Computer & Office Automation Exhibition South China	99-11-30	99-12-3	CFTC
The 6th International Exhn. on Hotel, Restaurant & Catering Systems, Supplies, Equipment, Food & Drink	99-12-3	99-12-6	CFTC
International Commerce Facilities and Supermarket Retail Industry Exhn.	99-12-8	99-12-11	CFTC
'99 China International Electric Equipment and Technology Exhn.	99-12-16	99-12-19	CFTC
'99 South China International Machinery Exhibition	99-12-16	99-12-19	CFTC
The 3rd South China International Machine Tools Exhn.	99-12-16	99-12-19	CFTC

In December 1999 Hamburg Fair will be organizing **CLEAN ENERGY** in the Chinese metropolis of Shanghai for the fourth time. The focus of this high-class congress with accompanying trade fair is on environmental and climate protection through rational energy generation, energy utilization and energy savings. **CLEAN ENERGY** will also be sponsored by the EU Commission for the second time. New cooperation agreements with the international exhibition for environmental technology **GREENTEC CHINA 2000**, the Asian

Development Bank, the World Bank and RIET (Singapore) underline the significance of **CLEAN ENERGY** as an international forum for the technological transfer and the exchange of experience as well as an important means of obtaining a South-East Asian market overview.

Please contact Ms. WANG Yingtao of the Delegation of German Industry and Commerce or refer to the web-site: [www.consens.at](http://www.consens.at) for more information.

**New members****Vendor Management Shanghai (Ferm)  
Co., Ltd.**

Representative:	Robert Köhn	Address:	2601 Tower 1, Kerry Everbright City, 218 Tianmuxi Road 200070
Tel.:	021-6354 9093	Fax:	021-6354 9096
Line of Business:	International Marketing of consumer products		

**ROEX Machinery Engineering  
(Shanghai) Co., Ltd.**

Representative:	Ms. Andrea Speith	Address:	Jingan Lude Building Rm. 328, Wuding West Rd. 1189, 200042
Tel.:	021-6249 3580	Fax:	021-6249 3576
Line of Business:	Vertrieb PVC-Fensterproduktionsmaschinen; Unternehmens- und Managementberatung		

**Demag Haitian Plastics Machinery Co.,  
Ltd.**

Representative:	Mr. Rolf-Stephan Greif & Mr. Uwe Baer	Address:	Jiangnan Exp. Processing Trade District, Bellun, Ningbo 315821
Tel.:	0574-617 991	Fax:	0574-617 9908
Line of Business:	Assembly & Sales of High Quality Injection Moulding Machines		

**Ernst & Young Apgcc Shanghai Ltd.**

Representative:	Mr. Zheng Rui	Address:	1204 Marine Tower, No. 1 Pudong Avenue 200120
Tel.:	021-5879 5851	Fax:	021-5879 5912
Line of Business:	Management Consultancy		

**Hamburgische Landesbank Shanghai  
Representative Office**

Representative:	Mr. Hartmut Oertel	Address:	31/F Jin Mao Tower, 2. Shi Ji Avenue, Pudong 200120
Tel.:	021-5047 9478	Fax:	021-5047 5767
Line of Business:	Unterstützung des Stammhauses und anderen Einheiten der Bank bei der Pflege von Kunden in China, Identifizierung von Geschäftslichkeiten, Sammeln von geschäftsrelevanten Marktinformationen		





### Shanghai Liu Jie Architectural Design Consulting Co., Ltd.

Representative:	Mr. Liu Jie	Address:	Rm 707, 1. Municipality Building, 573 Dong fang Rd., Pudong, Shanghai 200120
Tel.:	021-5876 62220	Fax:	021-5054 0320
Line of Business:	Architecture design, interior design, garden design, business and investment consulting		

### Gebrüder Trox GmbH China Rep. Office

Representative:	Mr. Guo Haixin	Address:	Rm. 280, No. 422, Tiantong Rd. Shanghai 200085
Tel.:	021-6356 1361/2/3	Fax:	021-6356 1356
Line of Business:	Koordination zwischen den Stammhaus und China		

### Ernst Komrowski & Co. Shanghai Representative Office

Representative:	Mr. Stefan Bonin	Address:	Rm. 1307 Harbour Ring Plaza, 18 Xi Zang Rd. (M) 200021
Tel.:	021-5385 3322	Fax:	021-5385 3767
Line of Business:	Handel mit Maschinen, Anlagen und Ersatzteilen u. a. f? die Baustoff-, Papier-, Nahrungsmittel-, Automobil-, Eisenbahn- und Holzindustrie		

### VITA - WHEEL Holdings Ltd.

Representative:	Mr. John A. Wakefield	Address:	188 Garden Rd., Zhangpu Town, Kunshan Jiangsu 215321
Tel.:	0520-744 5888	Fax:	0520-744 5168
Line of Business:	Sales, Marketing, Service and Maintenance of Material Handling Equipment.		



**At the forthcoming of year 2000, in planning future events, which are expected to facilitate a wider information access for our members, the delegation is eager to have your valuable advice thereon.**

As follows, the category of past events is listed. We would appreciate it if you could let us know which event you have more interest in (by ticking the checkboxes). It would also be very welcome if you could kindly contribute your creative ideas like what kind of events that you would like us to organize.

Kind of Event	More	Average	Less
<b>» Celebration of public festivals</b> Xmas, National Day, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Routine parties</b> New member party, Joint-venture roundtable, anniversary celebration, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Charity events</b> Donation for the calamity regions, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Seminars</b> Topics on law, economic situation, investment environment, training, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» VIP or experts meetings</b> Special presentation given by some VIP or experts in certain fields	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Cultural events</b> Music, art, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Investigations</b> Visits to some interesting places such as production bases or investment zones.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>» Your special suggestions:</b>       			

Questionnaire

Thank you very much for your kind cooperation.

Please answer by return fax to Ms. Li Minjie **before Dec 10, 1999.**

**FAX 6330 9794**