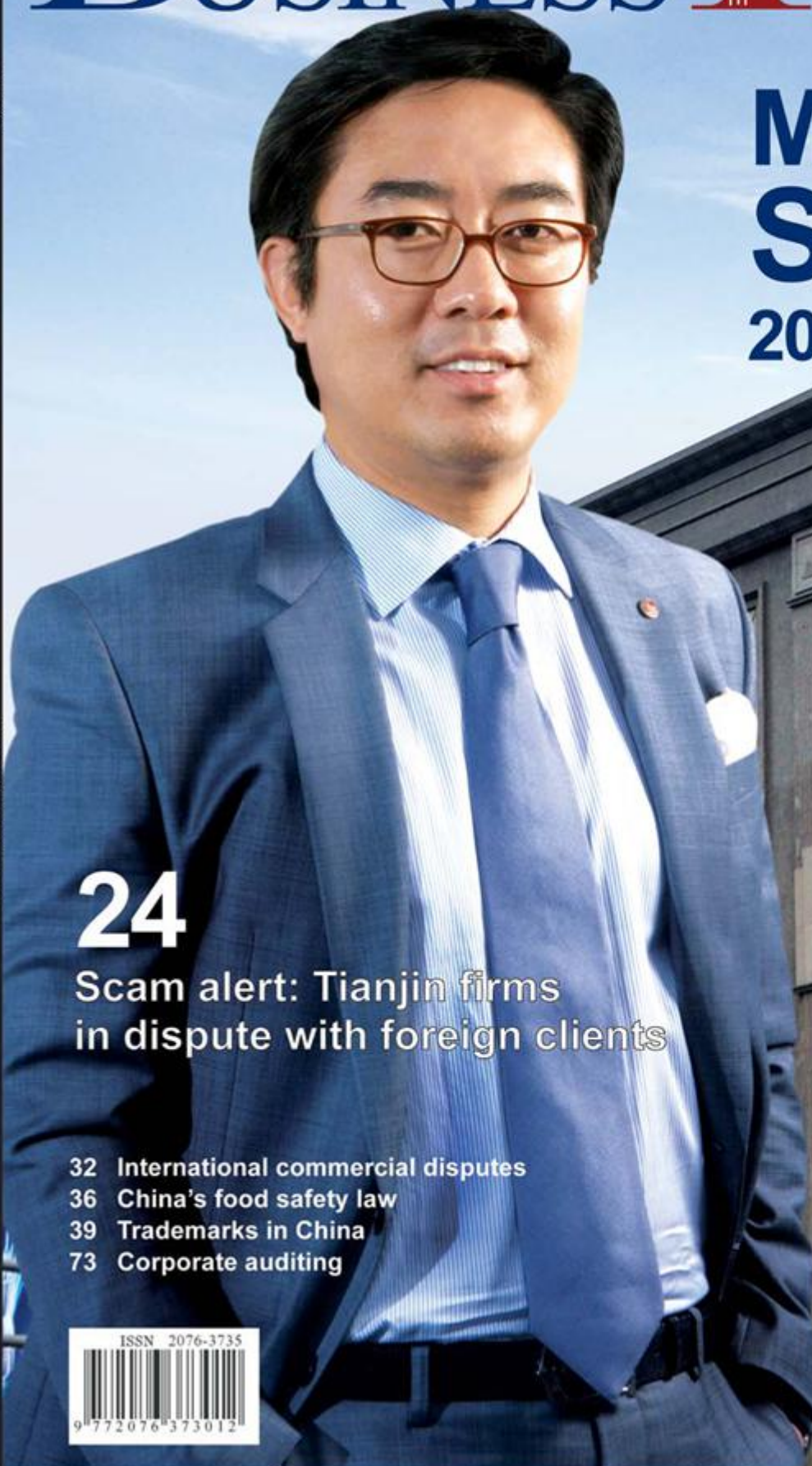


Insight Into a Changing Tianjin

BUSINESS **TIANJIN** MAGAZINE



津衛商務



**MAN OF
STYLE**

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CEO of LOTTE Tianjin

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in dispute with foreign clients

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Interview with Mr. Ding Yunsheng, CEO, Lotte Department Store

Lotte Department Store, with its motto "I'm Your Stylist", opened in Tianjin on 17 June. This major Korean department store is Lotte Group's first wholly-owned store in China. The store's CEO, Mr. Ding Yunsheng, stands true to Lotte's passion to stylise the city, as obviously reflected in what he wears, how he carries himself, his manner of speaking and even his good sense of humour. [See P20](#)



Scam Alert - two Tianjin firms in dispute with foreign clients give Chinese suppliers a bad name

So far it's been a bad year for businesses sourcing in China. It's not surprising, perhaps, that purchasers in far-flung corners of the world get stung by Chinese suppliers taking advantage of distance and an uncertain legal framework governing such transactions conducted through online trading platforms and bank transfers. But the ease with which two local firms appear to have taken advantage of overseas customers is nonetheless shocking. [See P24](#)



Tianjin city – a haven for serviced apartments?

According to CBRE Research, there are approximately 2,000 serviced apartments operated by both international and local operators. Although most of them are under a single owner and/or operator, such as the Ascott Group, Sheraton Hotel and Frasers Hospitality, a couple of developments are sold to individual owners whose units are subsequently managed by an operator. [See P28](#)

Watch the Numbers

The issue of corporate auditing has been much debated amongst China business watchers this month. It might sound a dull topic, but it gets to the heart of corporate governance and investor confidence. If you can't be sure that a company is correctly audited – in other words, if you can't be confident that its financial statements are true – then this is damaging not only to the company in question but also to stock market confidence. No one wants to find out they've invested in the latest equivalent of Enron or WorldCom. [See P73](#)



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Dear Reader,

The temperature is not all that's on the rise this summer. China's inflation reached a near-three-year high at the end of May. The issue has become such a concern that Premier Wen Jiabao addressed it in a letter to the Financial Times.

Steady increases in the cost of living – everything from vegetables to apartments – are leading to an ever-increasing gap between classes, and subsequent social unrest. To combat inflation, the government has ordered banks to again cut lending and increase their reserve ratios. While this is hoped to curb real estate values, floods in southern China will cause continued hikes in food prices, and energy demand will push gas prices ever higher.

Expect further regulation of markets in the near future. For information on these and other developments, please view this month's Economy, Real Estate, Policy Explanation and Legal Assistance columns.

As always, we welcome your constructive input and inquiries. If you are interested in contributing to a future issue of *Business Tianjin*, or just have questions or comments on an article, please reach out to us at the contacts on this page.

Sincerely,

Jamie Michael Kern

Chief Editor – Business Tianjin magazine

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TIANJIN NEWS

Dongjiang Port approved as int'l shipping centre



The State Council has officially approved the project proposed by Tianjin Municipality to transform Dongjiang Free Trade Port Zone into the international shipping centre for North China, according to the administrative commission of the zone. Preferential policies regarding international ship registration, tax, shipping financial services and leasing services will be granted to the zone, while related policies will come into effect in Tianjin in what are expected to be the most extensive and strongest policies to support the growth of international shipping introduced in China.

-Tianjin Binhai News, 27 May

Animation production base opens



China's first state-level animation production base opened in Tianjin, with a total investment of 4.5 billion CNY (690m USD). More than 180 firms have signed up for animation production and related services at the 770,000sqm base, located in the Sino-Singapore Tianjin Eco-city. Minister of Culture Cai Wu told a launch ceremony that animation production had been included in the country's overall development plan for the culture industry during the 2011-2015 period.

-Xinhua News, 30 May

Airbus delivers 50th China-assembled A320



European aircraft maker Airbus delivered the 50th aircraft assembled by the Airbus A320 Family Final Assembly Line in China (FALC). The 50th aircraft was handed over to Juneyao Airlines, a Shanghai-based, privately owned airline. The FALC is a joint venture between Airbus and a Chinese consortium that includes the Tianjin Free Trade Zone (TJFTZ) and China Aviation Industry Corporation (AVIC). The first delivery of a FALC-assembled A320 Family aircraft was to Sichuan Airlines in 2009.

-Flight Global, 2 June

Potential power shortage



Electricity shortfalls in Tianjin may reach 1.5 gigawatts this summer, or 13% of the expected maximum power load. Tianjin Electrical Power Corp, a unit of State Grid Corp of China (SGCC), the country's dominant power distributor, forecast the maximum power load in Tianjin of 11.4GW to emerge in late July or early August. With scarce coal and water resources, Tianjin needs to import more electricity from other regions of the country. SGCC plans to build an ultra-high-voltage power line passing through Beijing, Tianjin and Jinan in Shandong province by 2012, which would be a key solution to Tianjin's power shortages.

-Reuters, 3 June

Italy's RDM Group opens first outlet

Italian luxury real estate developer and fashion retailer RDM Group opened its

first outlet store in China, in partnership with the US Waitex Group, amid the country's enthusiasm for buying luxury goods. The store, Florentia Village, is located in Wuqing, which lies between Beijing and Tianjin. The investment totaled more than 1 billion CNY (154.4m USD).

-China Daily, 10 June

2nd International Yacht Exhibition



From 1 to 4 September, during the China Tourism Industries Festival, the 2nd China-Tianjin International Yacht Exhibition will be held at Binhai International Exhibition Centre. During China's 12th five-year plan period, four main yacht clubs are scheduled to be developed: the central fishing harbour, Binhai tourism area, Dongjiang port area, and Haihe bund. By the end of 2015, yacht berths will number more than 3,000 and a yacht industry group will be formed.

-Enorth, 13 June

Tianjin – home to a growing number of German companies



Germany maintains the largest number of companies in Tianjin among European countries, and has become one of the most important countries in importing products to the Tianjin Economic & Technology Development Area. According to the Chinese-German Entrepreneurs Exchange & Cooperation Conference, total investment by the 36 companies has amounted to 616 million USD. Meanwhile, Tianjin's exports to Germany have topped 498 million USD, with a growth rate approaching 38.2%.

-Enorth, 13 June

Prince Henrik of Denmark visits TEDA International Club Tianjin



On 22 June, the Prince Henrik, the husband of Denmark's monarch Queen Margaret II, received a warm reception by the leaders of TEDA International Club Tianjin and people from all walks of life. The prince took part in Kayi Garden wine tasting held in the Sun Bar of TEDA Club, communicated with eminent Tianjiners, and introduced the Royal Red line of wines. Lady Anna, the head of TEDA International Club Tianjin, presented the Prince with exquisite gifts that have a Chinese feel, which the Prince graciously accepted.

-22 June

Asia's first third-party wind energy technology center



Asia's first third-party wind energy technology centre started operations in Tianjin. The centre, which specialises in testing fan blades, belongs to the SGS-CSTC Standards Technical services Co., Ltd., a joint venture of government-backed China Standard Technology Development Corporation and Swiss-based SGS Group. "The SGS testing centre in Tianjin will offer certificate services for fan blade manufacturing companies with more convenience and enhance the R&D level of China's wind energy enterprises," said Richard Shentu, managing director with the China region company of SGS-CSTC.

-People's Daily Online, 14 May

Lotte opens outlet in Tianjin



Lotte Department Store, a unit of South Korea's second-largest retailer Lotte Shopping, opened an outlet in Tianjin. The Tianjin store is the company's second outlet in China following the launch of its first Chinese store in Beijing in August 2008. Lotte Department Store plans to launch another outlet in Tianjin by May next year, will open a store in Weihai, Shandong Province, in the second half of next year, and launch another in Shenyang, the capital of Liaoning Province, by 2013.

-Xinhua News, 16 June

Tianjin ranks 3rd in nationwide well-being index



Beijing, Shanghai and Tianjin topped the charts of a well-being index report. The report, published the Beijing Normal Uni-



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versity, is a review of the overall development of people's livelihood in China during the 11th Five-Year Plan (2006-2010). The key index was calculated based on livelihood standards, public services and social administration. Beijing tops the table with a well-being index of 0.739, followed by Shanghai at 0.635 and Tianjin at 0.536. Southwestern Guizhou province comes in last with only 0.200.

-*Watchchinatimes*, 23 June

Tianjin Pipe Co. begins soil testing at site of future San Patricio County plant



Soil testing has begun at the future site of Tianjin Pipe Co.'s Gregory plant, marking another step toward realising a \$1 billion investment that will energise a 252-acre patch of San Patricio County with fringe benefits for the entire region. The testing gives the company a detailed snapshot of the ground below to gauge what will be needed to support the facility's foundation when construction begins, spokeswoman Leah Olivarri said. The site — dubbed the Texas Mill by TPCO — will produce seamless pipe, the type used as casing and lining in oil and gas production. During a recent visit, company officials met with Coastal Bend leaders, state officials in Austin including state Rep. Todd Hunter, R-Corpus Christi, and with U.S. Rep. Blake Farenthold, R-Corpus Christi, in Washington, D.C. Construction will take up to two years and the company wants the plant to be operational by 2013.

-*Caller*, 23 June

FINANCE

Yuan at record high versus dollar after Treasury report



China's yuan has hit a record high against the USD after the US Treasury department said the Chinese currency was undervalued but not manipulated. China has been accused by the US and other developed economies of keeping the value of its currency artificially low to boost its exports. Inflation in China has been rising sharply as the costs of oil, food and other essential commodities continue to spike. Consumer prices rose by 5.3% in April compared with the same month a year ago.

-*BBC News*, 31 May

China's external financial assets valued at 4.126 trillion USD in 2010

The country's external financial assets expanded 19% from a year earlier to 4.126 trillion USD by the end of 2010, boosted by increased foreign exchange reserves and overseas investment, the State Administration of Foreign Exchange (SAFE) said. According to 2010 year-end figures on China's international investment position released by the SAFE, the country's external liabilities rose 20% year-on-year to 2.3354 trillion USD, while net external financial assets increased 19% to 1.7907 trillion USD in 2010.

-*Xinhua News*, 31 May

China's economic surge could boost Japan

China's rapid economic growth and increasing domestic demand are stimulating imports from Japan, a factor that may play an important role in Japan's economic recovery, according to research from the Chinese Academy of Social Sciences (CASS). The research suggests that overseas demand will be one of the strongest drivers of Japan's economic recovery. China is the country's biggest trading partner and the largest export destination for its goods. Ja-

pan is likely to relocate its product component factories to other countries, including China. That may boost Japan's imports and alter the trade deficit.

-*China Daily*, 1 June

Energy imports to increase



China will tackle an impending power shortfall by increasing energy imports, said the National Development and Reform Commission (NDRC), the top economic planner. "With the coming of summer, the peak time for energy consumption, and the rapid growth of industrial production, the gap between electricity demand and supply will become more obvious and some areas may face a shortfall in coal and oil supplies," the bureau said in a statement.

-*Straits Times*, 2 June

China to lead global banking by 2023



China could leapfrog the United States to become the world's largest banking economy by 2023, 20 years earlier than expected, raising pressure on western banks to brush off the effects of the credit crisis and head east. According to a report published by consultants PricewaterhouseCoopers, India is expected to leapfrog Japan to rank third in terms of domestic banking by 2035 and could pass China as its population rapidly ages. Chinese banks already dominate global rankings by mar-

ket value, and some lenders have already secured heavy emerging market exposure to tap into booming demand for financial products from young and increasingly wealthy populations. Banks in the fast-growing emerging markets (E7) of China, India, Brazil, Russia, Mexico, Indonesia and Turkey have been relatively shielded from the financial crisis that brought many western peers to their knees and sent asset values plunging.

-Reuters, 3 June

Factory output slowing

The purchasing managers' index (PMI), a key gauge of manufacturing activity, hit a nine-month low in May, sparking fears that ongoing monetary tightening measures may slow economic growth. But analysts said the economy would still manage a soft landing as the country tries to curb inflation and shift the economic growth pattern. The PMI dropped to 52 in May, the China Federation of Logistics and Purchasing said. The figure was down from 52.9 in April and 53.4 in March, and showed across-the-

board declines in all categories.
-China Daily, 2 June

Foreign investment hits 650b USD in decade

Yao Jingyuan, a chief economist with the National Bureau of Statistics, said that over past decade China's foreign direct investment (FDI) reached 653.14 billion USD at an annual growth rate of 9.5%. FDI in 2010 was 105.7 billion USD, up 125% from 2001. The total trade volume has shot up to 15.7 trillion USD in the meantime, making China the world's second-largest country in terms of trade volume after the United States.

-China Daily, 7 June

Imported iron ore stocks rise

Inventories of iron ore at 25 of China's major sea ports rose by 380,000 metric tons to hit a total of 93.45 million metric tons on 6 June, according to the Xinhua-China Iron Ore Price Index. The index, compiled by the Xinhua News Agency, tracks iron ore inventories and imports in

Chinese spot markets through research and analysis of data from 25 major ports. The index for 63.5%-purity iron ore imports fell by 4 points to hit 175 points, while that for 58%-purity iron ore imports slipped by 3 points week-on-week to rest at 144 points.

-People's Daily Online, 8 June

China's rich swoop on homes overseas



An increasing number of China's rich are snapping up properties overseas in the expectation that domestic inflation will continue to rise after the consumer price index reached a 34-month high in May. Accord-



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ing to Colliers International, a real estate service provider, the proportion of Chinese buyers in Vancouver's property market is on the rise. At the end of the first quarter this year, it increased to 29% of all homebuyers. In the past six months, Chinese spent 1.3 billion CNY (200m USD) through Colliers' international property department, with Canada, the UK and Australia topping the buying list. The biggest increase in global billionaires since 2007 has occurred in China and the Commonwealth of Independent States (CIS).

- *cnbusiness*, 21 June

LAW & POLICY

Meat, vegetable tracking system in cities by 2015



The Ministry of Commerce said that China aims to establish a meat and vegetable tracking system in all cities with more than 1 million people by the end of 2015 to boost food safety. The announcement comes amid public concerns over the country's food safety following a string of scandals. China established the tracking system in 10 cities last year, including Shanghai and Dalian, to protect consumers from harm, said Yao Jian, spokesman for the ministry. The country started trialing the system in another 10 cities this year, including Tianjin and Jinan. The tracking system is also in the interest of farmers as it can let authorities know in minutes when and where the contaminated meat and vegetables were produced, so other farmers will not be affected by the possible safety checkup.

- *Xinhua News*, 21 June

New insurance law to benefit foreign employees



More than 230,000 foreign employees with work permits are expected to benefit from upcoming changes to China's Social Insurance Law. Xu Yanjun, deputy director of the social security center of the Ministry of Human Resources and Social Security, said the ministry is now finalising details regarding the implementation of the law, which is expected to begin on 1 July. There were some 231,700 foreigners with work permits living in China by the end of 2010, Xu said, adding that only foreigners with legal work permits are able to benefit from social insurance programmes. Foreign employees will gain access to five forms of insurance under the new law: endowment insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. The new law will also ensure that workers from countries that have signed bilateral social insurance agreements with China will be able to avoid paying two premiums.

- *China Daily*, 3 June

1.2b CNY to drought-hit regions

The Chinese Ministry of Finance (MOF) said it had added 1.2 billion CNY (182.65 million USD) to help five regions along the middle and lower reaches of the Yangtze River make a success of disaster relief work. "The emergency allocation is primarily meant to aid drought-stricken Jiangsu, Anhui, Jiangxi, Hubei and Hunan provinces in restoring agricultural production and fishing," announced the MOF. The additional funding came after the MOF had previously injected nearly 1.14 billion CNY to the five provinces for efforts to combat drought there. Out of the newly added funding, 400 million CNY will be spent in subsidising 200 counties' purchases of equipment to fight drought or floods, while the rest will be used to subsidise farmers' buying of means of production.

- *China Daily*, 8 June

Debate on raising income tax exemption threshold



Citizens around the country have been debating a proposal to raise the threshold for individual income tax exemption to 3,000 CNY per month. The NPC Standing Committee, China's top legislature, publicised suggestions and opinions on amending the Law on Individual Income Tax that were submitted online from 25 April to 31 May. Currently, individuals earning under 2,000 CNY (307.7 USD) per month do not have to pay income tax. Many people proposed that there should be different exemption thresholds in line with the local individual income levels.

- *The financial express*, 16 June

LOGISTICS

DHL to expand in western China



Deutsche Post-DHL's express division will continue expanding its investment in China, especially in the western region, said Ken Allen, chief executive of DHL Express. Wu Dongming, managing director of DHL-Sinotrans International Air Courier Ltd, a joint venture in charge of DHL's express business in China, said notable business growth was seen in cities in the western and central regions, such as Chengdu, Chongqing and Wuhan. The company reported 216 million EUR (311.5m USD) in pretax profit during the first quarter, compared with 110 million EUR during the same period in 2010 and a 392 million EUR loss in the first quarter of 2009.

- *China Daily*, 1 June

TELECOM & TRANSPORTATION

Firm at centre of Yahoo dispute gets licence



Alipay, the firm at the centre of a dispute with Yahoo, has received a licence from China's central bank. Alipay was spun off from China's Alibaba Group, which is 43% owned by Yahoo, in order to apply for an online payments licence. These are only available to wholly Chinese firms. Earlier in May, Yahoo said Alibaba had spun off Alipay without informing it, sending its shares down sharply. Investors are concerned Yahoo may lose control over its Chinese investments.

-BBC News, 27 May

Beijing-Shanghai railway gets nod from engineers



An inspection team of 30 noted Chinese engineering academicians and experts have given the green light for the Beijing-Shanghai high-speed rail line to open. All the tested indicators showed the line has met operational requirements. The 1,318-km-long high-speed rail line is expected to cut travel time between the metropolises to about five hours, with 90 pairs of bullet trains to run along it. It began operations on 1 July. China plans to invest 2.8 trillion CNY (431.7 billion USD) to build about 30,000km of new rail lines over the next five years.

-Xinhua News, 9 June

Service with a smile on high-speed travels



Stewardesses of the Beijing-Shanghai high-speed rail pose during a news conference at Hongqiao Station in Shanghai, East China. Approximately 400 stewardesses will serve the Shanghai section of the high-speed railway, among which 270 were selected from 3,000 candidates and the remainder selected from staff on other high-speed train services. The girls have been trained in accordance with standards for air hostesses.

-China Daily, 16 June

Taobao splits into thirds



China's e-commerce giant Alibaba Group Holding Ltd has reorganised its online retail unit Taobao into three separate companies, a move that highlights the company's fight back to rising e-commerce rivals amid fierce competition. Taobao will be split into Taobao Mall, which enables businesses to sell to customers, Taobao Marketplace where consumers trade with each other, and the shopping-related search engine eTao. The reorganisation will help Taobao to deal with its different business models and fend off competition from companies such as Dangdang.com and 360buy.com. Taobao started as a marketplace for consumers to buy and sell goods to each other. It now controls 80% of China's online retail market, with 370 million registered members.

-China Daily, 17 June

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China calls for dialogue between DPRK, ROK



China urged the Democratic People's Republic of Korea (DPRK) and the Republic of Korea (ROK) to continue their dialogues in order to safeguard peace and stability on the Korean Peninsula. "We hope that concerned parties will continue their dialogues and address their concerns through consultations," Chinese Foreign Ministry spokeswoman Jiang Yu said at a press conference. "Realising denuclearisation on the Korean Peninsula and maintaining lasting peace in northeast Asia is in the interests of all concerned parties." Jiang suggested that all concerned parties work in the same direction and show

flexibility. She also called for the resumption of the six-party talks "as soon as possible".

-*People Daily, 1 June*

Floods kill 24, force evacuation of 100,000



Rain-triggered floods have killed 24 people in a week in East China's Jiangsu province. Torrential rains toppled a home in the province's city of Shangrao, washing away 5 people, a county government spokesman said. Persistent downpours have also wreaked havoc in Southwest China's Guizhou province, forcing nearly 100,000 people to evacuate. In the province's Wangmo county, floods killed 21 people and left more than 30 missing, the provincial civil affairs bureau said.

-*Reuters, 8 June*

Tourists can visit Taiwan at their will

Tourists from selected cities on the Chinese mainland will be able to travel across the Taiwan Straits as individual tourists by the end of June, said a senior negotiator. The cities named so far include Beijing, Shanghai and Xiamen, and the number of cross-Straits flights is to be increased from the current 370 a week to 550 a week. Travel agencies said the new inflow of individual mainland visitors may bring in 5 billion TWD (172 million USD) this year. The mainland became the largest source of tourists for Taiwan last year; the island formally opened to mainland package tours in July 2008. About 1.2 million mainland tourists visited the island last year, a 128% increase from the preceding year.

-*China Daily, 9 June*

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A Bright Future of TTMLIS Graduates

Up until now, 50 students of the first graduating class of Tianjin TEDA Maple Leaf International School have received 122 conditional offers from international universities. All G12 students have received offers and more than 60% of them have been admitted to top 100 international universities.

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1st

Italian luxury real estate developer and fashion retailer RDM Group opened its first outlet store in Wuqing District, Tianjin on 9 June, in partnership with the US Waitex Group, amid China's enthusiasm for buying luxury goods. The store, Florentia Village, is the first Chinese development in RDM's international portfolio of retail assets. The investment totaled more than 1 billion CNY (USD 154.4 million).



21%

Beijing invested 127.06 billion CNY (19.25 billion USD) in fixed assets in the first four months of this year, an increase of 21% on the same period of last year, according to the city's statistical bureau.

50th

Airbus delivered the 50th aircraft assembled by the A320 Family Final Assembly Line (FALC) in Tianjin on 1 June, less than 2 years after the world's largest aircraft manufacturer's first A320 Family aircraft assembled by FALC.



9.3%

The economy is predicted to grow by 9.3% this year, before slowing to 8.7% in 2012 and 8.8% in 2013, the World Bank forecast in its twice-yearly report, Global Economic Prospects, released on 8 June.

22.58%

Trading in China's four commodity futures exchanges surged 22.58% year-on-year in the first five months of this year, said the China Futures Association. The value of China's futures transactions rose to 56.6 trillion CNY (8.71 trillion USD) in the Jan-May period.

12

Wu Jianhong, chief representative of Germany's Deutsche Boerse AG, says 7 Chinese companies have already made initial public offerings (IPOs), raising 1.22 billion EUR on the Deutsche Boerse-owned Frankfurt Stock Exchange this year. Another 5 Chinese companies will be listed by the end of the year, bringing the total to 12.



33%

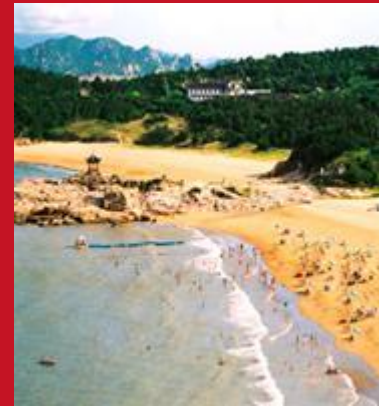
Consultancy firm Ernst & Young reported that net profits of China's 17 listed banks rose 33% year-on-year to 687.3 billion CNY (104.35 billion USD) last year. Total assets of the listed lenders jumped 18.2% from one year earlier to 64.1 trillion CNY at the end of 2010.

5,000,000

The China Banking Regulatory Commission announced a series of favorable policies for lenders to offer more loans to small-scale enterprises. According to the new regulations, a lower risk weighting (25 percentage-points less) will be applied when calculating the capital-adequacy ratio for loans of less than 5 million CNY (772,000 USD) to each individual small enterprise.

5,000

The Dongjiang Free Trade Port Zone of Tianjin will be transformed into a tax-free island offering tax refunds to tourists, once its application has been approved, said Tianjin mayor Huang Xingguo. The zone has set a rebate cap on goods priced no more than 5,000 CNY (772 USD) for each person for each visit from designated shops.



6

Six international financial institutions increased their shares of Shanghai Pharmaceuticals Holding Co, the largest manufacturer of antibiotics in China, to 289 million shares, according to the data from Hong Kong Exchanges and Clearing Ltd. Analysts say the reason might be the outbreak of EHEC (enterohaemorrhagic E.coli) in Europe.

89.6%

The employment rate of Chinese college graduates has risen over the last two years to 89.6% in 2010, about 2 percentage points higher than that in 2007, according to a survey by education research company MyCOS Institute released on 9 June.



Toys from China will cost more
6 July 2011, *Businessweek*

Chinese toymakers are fighting against inflation, which reached 5.4% in March. Over 2.6 billion USD in toys were exported in the first 4 months of 2011, up 17% from last year. But labour, cost of materials and an increasing exchange rate all lead to higher prices overseas this coming holiday season.



Major toy companies like Mattel and Hasbro have raised prices this year, and larger retailers like Toys R Us and Wal-Mart are expecting such increases.

Wages account for the greatest increase in production costs in China. In the industry-heavy province of Guangdong, worker salaries have nearly doubled in the past year, to 2,000 CNY (308 USD) per month, to retain a short supply of labour.

Crude oil, which is priced at 40% more than a year ago, becomes many of the chemicals used in making toys, and has thus contributed to price hikes. So has cotton, up 90% in a year.

**Chinese internet operators:
The 2nd revolution against
isolation**

China Entrepreneur, 3 June 2011

Represented by Tencent and Comsenz, some Chinese internet operators have started the “second revolution against isolation”. They realize that the structure of China’s internet blocks direct contact between people.



The first revolution in the internet removed isolation of information; the second revolution concentrates on removing isolation of individuals, allowing them to contact each other directly and rapidly.

Transparency, application, connection and mobilisation are internet trends. Now Chinese internet operators are paying close attention to the outside world.

Comsenz is working hard in this part. For instance, it has provided services that link QQ and Twitter accounts. With the help of cloud computing, Comsenz has developed the first data analysis system especially for online communities. “Freely” aims at resolving the problem of strategic searching. Meanwhile, advertisement is promoted under cooperation with Tencent.

The second revolution against isolation is quietly happening in China’s internet. And change always brings inspiration, even opportunity.

**What the west doesn’t get about
China**

June 2011, *Harvard Business Review*



Managers who consider China a factory full of products just waiting to be shipped overseas are missing out on an even larger opportunity – the domestic market. The Chinese government’s push for domestic consumption has fueled mass migrations to the cities and dramatically increased the size of the middle class.

“In a variety of consumer categories – including such items as shoes, consumer electronics, and jewellery – China already ranks as the number one or number two market in the world.”

Yet when most people travel to China, they only view Shanghai or Beijing from their hotel windows. They consequently only see an atmosphere that may “someday resemble a typical Western economy.” They miss out on the rapid growth of China’s other growing metropolises whose markets are dominated by domestic companies.

Multinational companies must realise that domestic competition grows much faster than before, and many domestic retailers have become market leaders. They must establish themselves now, and must be ready to reach hundreds of cities. They must also prepare for “extraordinary growth in demand”, and for the differences – great and small – of consumers and business practices in China.

Financing difficulty for SMEs

Business China, 15 June 2011



Rising labour costs, an appreciating yuan and increased lending rates have led to a lack of funds for more small and medium-sized enterprises (SMEs) than ever before. Meanwhile, the central bank has raised the deposit reserve ratio 5 times this year, worsening the credit crunch. The result of an 0.5% rise in the deposit reserve ratio: more than 360 billion CNY of commercial bank money was frozen. After 5 reserve ratio raises, the frozen funds amounted to 2 trillion CNY.

Unable to acquire normal funding, SMEs have to seek other financing channels. Private lending offers simplicity and convenience, and is becoming more popular among SMEs.

In areas where SMEs abound, such as in Wenzhou and Yiwu, private lending is the main resource of financing of private economic. By the end of 2010, funding exceeded 400 billion CNY through normal bank financing channels in Dongguan, Guangzhou province. Not far behind, private lending amounted to 200-300 billion CNY, according to a related investigation department.

July China Economy Report

By Daniel Kenneth

How will China slow domestic inflation?

Shortly after the 2008 global financial crisis, Beijing flooded its economy with liquidity to achieve a single goal: sustain its high growth rate. The Chinese economy continued to grow at 8-10% despite the crisis and Beijing boasted its economic prowess while other nations stagnated.

In just three years since the financial crisis, we are seeing the side-effects of this monetary expansion policy. The Chinese economy is overheating in every aspect, ranging from a huge real estate bubble to mounting local government debts. Of most concern is the rising price of consumer goods. Now, Beijing is deploying every available policy option to cool down its economy. Beijing raised interest rates four times since October, increased the required reserve ratio to cut down on bank lending, directly intervened in the market by warning a number of companies not to raise prices, cracked down on hoarding, and offered subsidies to the poor. Let's examine how effective some of these activities have been.

Imposed price ceiling does not work

A price ceiling is government-imposed limit on the price charged for a product. On 6 May, Chinese authorities slapped a 2 million CNY (308,000 USD) fine on Unilever after concluding the company "illegally disseminated news of price hikes", according to an AFP report. Unilever's price hike announcement sparked the panic-buying of shampoo and detergents across China in March.

The fine by the National Development and Reform Commission, China's

powerful economic planning agency, was seen as a warning to other companies and highlighted the growing anxiety in Beijing about soaring costs, wrote AFP.

Nevertheless, Unilever, a global consumer products manufacturer, raised prices of some household items in southern China shortly after being fined for announcing planned price hikes. If a price ceiling is too heavily imposed, it can lead to other side effects, such as black market formation or substantially decreased quality of goods by companies attempting to meet the price ceiling and still profit.

Unilever effectively ignored the government fine and proceeded with its price hike. Other companies will decide to do the same if costs increase. They may decide to halt operation altogether: a few Chinese power plants decided to prolong "unplanned maintenance" after asked by Beijing to operate at a loss due to skyrocketing coal prices. This eventually led to widespread power outages across China. Empirical evidence tells us that a price ceiling is not an effective policy tool to stem inflation.



Interest rate must substantially increase to tame inflation

Raising interest rates makes borrowing money more costly. It reduces the money supply and eventually cools inflation. This works in countries like the US, where the central bank can set underlying interest rates. In China, however, the People's Bank of China (PBoC) directly fixes bank deposit and minimum lending rates. Also, the situation is complicated by Beijing's policy of maintaining a fixed exchange rate for the CNY to USD.

Fixing the CNY/USD exchange rate requires continuous injection of new CNY from the PBoC and buying up of USD. This places a huge burden on the Chinese banking system and makes a tight monetary policy very difficult to sustain. The PBoC must borrow from its state-owned banks at below-market rates or zero-interest rates by issuing government bonds in exchange for USD at a fixed rate against CNY. This is called sterilisation: a central bank operation aimed at neutralising foreign exchange operations' impact on domestic money supply and generally offsetting potentially adverse consequences of large capital flows.

Raising interest rates will also reduce loan demand and leave Chinese banks with stockpiles of unused cash. The effect is basically the same as sterilisation: banks will either have large government bonds or high reserves that they cannot lend out.

The result is that either the PBoC pays market rates on those large reserves and bears a huge cost of carry, or it pays below-market rates and the banks pay for the

cost, explains Patric Chovanec, Economics professor at Tsinghua University. Yet Beijing cannot significantly increase the interest rate overnight because it will trigger nationwide pile-up of non-performing loans. Chovanec notes that an informal “shadow” lending market currently lends to Chinese corporations at upwards of 20% per annum, so the rate hike would need to be rather steep to have any appreciable impact. Interest rates of 15-20% could effectively stem inflation but are unrealistic because such a drastic hike could endanger the entire Chinese economy.

Appreciate CNY against USD to reduce money supply

China does not have to accumulate any more foreign reserves than it wants – all it has to do is decide to stop buying dollars and let the CNY find a market price based on the respective supply and demand for each currency, suggests Chovanec. The problem with gradual CNY appreciation is that it will attract speculative “hot money” to flow into China – investors would buy appreciating CNY with depreciating USD – worsening the situation. Beijing would have to buy more USD with CNY to maintain gradual appreciation.

The solution is either a dramatic, one-time revaluation between 20 and 30%, which would head off speculation, or just letting the exchange rate float, advocates Chovanec.

But CNY appreciation can neither curb inflation overnight nor solve China’s trade imbalance with the US. Beijing is fuelling domestic inflation by preventing CNY from finding its natural price relative to the USD. This is why Beijing’s anti-inflationary policy actions have not been too effective at controlling domestic inflation.



Increased wages: good but unpopular for labour-intensive corporations

We have to be careful not to consider CNY appreciation the sole means of cooling the Chinese economy or rebalancing the trade imbalance. CNY has appreciated at roughly 6% since “floating” began last June. Though last year’s inflation ran at roughly 5% (compared to 2.5% in the US), the real appreciation is assumed at 8-9% annually. This is because CNY has nominally appreciated while its purchasing power of US goods has also increased. If the CNY is undervalued by roughly 25%, real appreciation of 8-9% for three years could eliminate the currency undervaluation, suggests Michael Pettis, Finance professor at Peking University.

In China, almost all the recorded CPI inflation has been in the food sector, not in the tradable goods sector. So if inflation in the price of inputs to the tradable goods sector were used to measure real appreciation in CNY instead of CPI at its face value, the calculation would become more complicated.

Chinese worker productivity has been growing at least two or three percentage points faster than US worker productivity, and probably a lot more depending on measurements and adjustments used, according to Pettis. This means CNY should appreciate by 2-3% annually just to keep itself depreciating in real terms against CPI in tradable goods. Pettis writes that the real appreciation of CNY will require even higher appreciation of CNY

because of China's more rapid productivity growth and wage increases. He supports a wage increase as an effective measure to rebalance the Chinese economy as it transfers wealth from corporations to households.

Pettis also expects China's overall economic growth to rely more on capital-intensive industries; labour-intensive industries will lose workers to capital-intensive State-Owned Enterprises. But China cannot ultimately solve its trade imbalance until it abolishes a capital-intensive and export-oriented economic model. Pettis expects it will probably take a couple of years of unbalanced growth before policymakers realise the need to increase stagnant consumption as a share of GDP to fully rebalance the economy.


Social unrest grows

In the last week of April, hundreds of trucks and workers blocked the entrance to the world's largest port in Shanghai, shutting it down for five days. The stoppage was sparked in part by the Chinese government's decision to raise fuel prices and impose new fees to cover the port's and logistic operators' higher costs.

The fundamental problem lies in uneven price rises and worker wages not keeping pace with the rising cost of living. Government-imposed price controls, which are supposed to help, sometimes interfere with the ability of market participants to adjust prices to accommodate their costs. Since Beijing makes it difficult for companies to raise consumer prices, companies are likely going to pass the increased costs onto suppliers – particularly more vulnerable ones like truckers, says Chovanec.

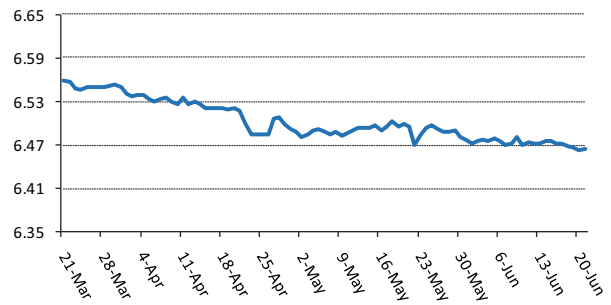
Taming inflation requires more than one approach

On the aforementioned means of adjusting inflation, China has been doing relatively well in increasing real wages, mediocre in appreciating its undervalued currency, and very poor at correcting its excessively low interest rates which exacerbate trade imbalances, says Pettis.

To solve its chronic systematic imbalance, China has to open its markets to greater competition, foster capital markets that allocate resources more efficiently, and develop a social safety net that makes labour markets more flexible and unlocks the savings of China's vast population, suggests Chovanec. In return, the US should welcome Chinese investment, offering China a more productive way to use the dollars it earns rather than stockpiling them and running a vicious cycle to sterilise its reserves. The rest of the world should encourage China to focus on market-oriented reform rather than one single factor such as exchange rates or interest rates. 

Three-month CNY trends

CNY vs USD



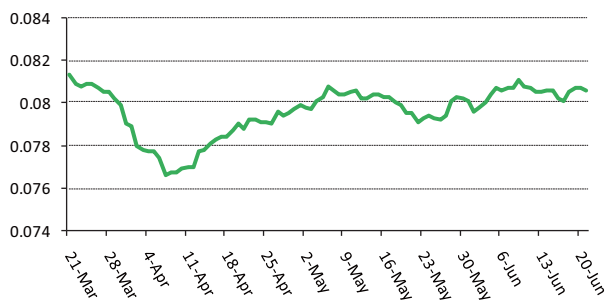
CNY vs GBP



CNY vs EUR



CNY vs JPY



Data source: Oanda.com interbank rate

IKON GROUP

Financial Products Online

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Man of Style

Interview with Mr. Ding Yunsheng
CEO, Lotte Department Store Tianjin

By Cathy Perez



Lotte Department Store, with its motto “I’m Your Stylist”, opened in Tianjin on 17 June. This major Korean department store is Lotte Group’s first wholly-owned store in China. The store’s CEO, Mr. Ding Yunsheng, stands true to Lotte’s passion to stylise the city, as obviously reflected in what he wears, how he carries himself, his manner of speaking and even his good sense of humour. Mr. Ding Yunsheng spared some precious minutes out of his busy schedule to share Lotte Department Store’s good news with *Business Tianjin*.

Lotte Shopping was launched by Lotte Group in Korea in 1979. The group owns businesses in many industries, including foods, logistics, travel, finance and manufacturing. Currently Lotte is the #1 department store in Korea. The group’s vision is to rank in Asia’s top 5 global business groups.

Why do you think it’s the right time for Lotte Shopping to enter the Chinese market? Why did your company choose Tianjin?

Actually, entering the Chinese market now is a little bit late. We planned to enter a long time ago. Lotte Group knows the importance of the Chinese market and sees its huge potential. There is no doubt about China’s advantages in the process of global development.

As for Tianjin, it is located in the key development zones in China’s economic circle. Beijing and Shanghai are already developed cities and Tianjin is the fastest growing city in China and has the greatest potential for development, so we chose to come to Tianjin. It is indeed a good place for foreign businesses to come and invest.

What are Lotte’s strategies for the Chinese market?

Lotte Department Store Korea has

this slogan, “always with you”, which defines how we value our customers and how we put them first in our services. It is our aim to bring the same kind of service to our customers here in China. We also study and research the needs of Chinese customers – their shopping habits and lifestyle choices – to make sure we satisfy their needs and give them excellent service.

Lotte wants to be in the top 5 of global businesses for 2018, How important is the Chinese market to this goal?

There are large consumer groups and shopping requirements in the Chinese market. Its increasing potential and speedy development will give us invaluable benefits and could help us with our goal of being one of the top 5 stores worldwide.

Lotte has more projects for Beijing, Tianjin and Shenyang. We are also trying to open stores in cities like Shanghai, Dalian and Qingdao. By 2018, there will be more than 20 Lotte Department Stores in China.

How will Lotte Department Store be a cut above the rest of the shopping malls in Tianjin? What can customers expect in addition to shopping?

Our core competitiveness is excellence in service. Our values focus on customers – to satisfy and to work for our customers.

Lotte Department Store also has this motto: “I’m your stylist”. Lotte will house many new brands in Tianjin. So our main aim is to be considered a trendy and fashionable department store where people, especially those who are 25-35 years old, will appreciate what style is as they see it in our stores. For example, on our first floor, we have brands like Michael Kors,



Calvin Klein and Coach, which are all affordable, luxurious brands. Many of these brands are coming to Tianjin for the first time.

Aside from shopping, Lotte Department Store provides ample spaces for people to hang out and enjoy themselves. We also have cultural centres where various activities are available. The whole family would also enjoy Lotte Department Store: you need not be a VIP member to enjoy store privileges.

A shopping mall should not only be for shopping, but it should also be an instrument to improve our lifestyle. That’s what Lotte Department Store is aiming at.

What are the goals of Lotte Department Store Tianjin?

Our goal is to become a well-loved department store in Tianjin. We are also contributing to the beautification of Tianjin, as we consider it our corporate social responsibility, by cooperating with



food deliver service



children entertainment



waiting room provide



female parking lot

Nankai local district in planting thousands of trees. We also organise events to help protect Haihe River so that we can all have a cleaner and more beautiful Tianjin.

On a personal note, what's your impression of Tianjin?

I think Tianjin is like a small China. Its development is very fast. Some parts of the city are modern and developed while other parts are

undeveloped. The air here isn't that good but with my two years living here, I think it is getting better.


We know you're a very busy person, what's your typical day like?

Now that many parts of the store are still being constructed, I'm always busy checking how things are being made. So my typical day is managing more than 500 people and making sure everything is all right.

What do you do when off the clock?

When off the clock I go to health clubs, take my bicycle out or look for good Chinese restaurants.

Lastly, any words you'd like to share with our readers?

I'd like to say that Business Tianjin Magazine's content and concept is really good and I get to learn a lot of useful information from it. So keep it up! 

Lotte Grand Opening




On Friday 17 June, under a blazing sun, Lotte Department Store celebrated the grand opening of its first store in Tianjin. Located at Dong Ma Lu, this new shopping mall has something for everyone in the family.

Festivities kicked off at 1:30pm with the arrival of VIPs to the tunes of a marching band. After a short speech and the cutting of the ribbons, people eagerly made their way inside to explore the facilities and enjoy opening discounts and gifts.



The 50,000 square metres of space span five above-ground and three subterranean floors. Large lounge areas on each floor give customers a place to sit and rest when not perusing the store's offerings. The first floor contains shoes, watches, luxury goods and cosmetics. The second floor is for the ladies with a wide variety of brands and styles of clothing represented along with jewellery and fashion accessories. The third floor focuses on kids and has shops offering all kinds of goods from shoes to stuffed animals. The fourth floor contains men's goods and also offers sophisticated home furnishings. Finally, the top floor houses a movie theatre. Below ground, floor B1 is for the young at heart with tween fashions available at stores like Uniqlo, Teenie Weenie, and Me & City. If you go down to floor B2, you can find a good selection of imported food products at the premium marketplace. Also on this floor you can purchase fresh bread at Fozoon, an iPad at IT World or athletic shoes from several stores like Nike, Adidas or Reebok. Finally, below it all is an ample parking lot.

This kind of celebration looks to take place again soon, as Lotte Department Store currently has plans to open a second Tianjin location in May 2012. 

LOTTE Department Store
No.137, Dong Ma Lu, Nankai District
Tel: +86 22 5806 8888
乐天百货
南开区东马路137号

Scam Alert

Two Tianjin firms in dispute with foreign clients give Chinese suppliers a bad name

By Mark Gao

So far it's been a bad year for businesses sourcing in China. The dismissal of leading executives at Alibaba suggested collusion with unscrupulous suppliers at the top end of China's most trusted B2B web portals.

It's not surprising, perhaps, that purchasers in far-flung corners of the world get stung by Chinese suppliers taking advantage of distance and an uncertain legal framework governing such transactions conducted through online trading platforms and bank transfers. But the ease with which

two local firms appear to have taken advantage of overseas customers is nonetheless shocking.

Consider the case of Supreme Enterprises, a Mumbai-based chemical trading company which is fighting to retrieve 30,000 USD from a Tianjin supplier which it claims shipped shoddy product. Speaking to Business Tianjin magazine, Supreme CEO Deepak Mirwani says Tianjin Ruihui Chemical Import & Export Co (with an address at Bading Rd, Hedong District) shipped 42 metric tonnes of substandard phosphoric acid from Tianjin to Mumbai.

Mirwani says he discovered the phosphoric acid was below-par upon closer inspection after the shipment docked in Mumbai, at which stage Supreme had already transferred the balance of the 30,000 USD to Ruihui. "We ordered food-grade phosphoric acid which should be 85% proof, as promised by Ruihui. But it was only 5.8% proof," explains Mirwani, who supplied a document from DYCC, the chemistry laboratory at Indian Customs, to prove his claims.

Mirwani also supplied the name and contact details of the salesperson he





dealt with at Ruihui, who uses the English name Selina. When contacted by Business Tianjin, ‘Selina’ at first acknowledged she knew Deepak Mirwani before later claiming she wasn’t in fact ‘Selina’ and then passing the phone to a colleague who claimed he “couldn’t deal with this problem”. BT was told to contact a Mr Meng to discuss the issue, but during several follow up calls, Ruihui said Mr Meng was absent and staff claimed not to know his mobile phone number.

This frustrating experience is unfortunately common to many foreign buyers dealing with local suppliers. A second case which Business Tianjin has investigated shows how few avenues overseas purchasers have to pursue their claims in China. The second case involves an Indonesian trading company, Delphia Prima Jaya, which

is pursuing local supplier Tianjin HeCheng Hua Chuang Chemicals for the return of over 15,000 USD or the replacement of a 50-ton shipment of caustic soda flakes.

While speaking to Business Tianjin, Delphia general manager Junus Genchem explained how HeCheng Hua, based in the Shuanggang trade zone, shipped product which two independent test bodies in Indonesia subsequently found to be 20% proof rather than the 99% proof promised. When contacted by Business Tianjin, Delphia’s sales contact at HeCheng Hua, John Zhang, claimed he was “very sorry” about what had happened but had been unable to do anything because his “big boss, Mr Wang” was on a “long business trip” to the US and he had no means of contacting him.

What’s even more worrying is that in this case, as in the Mumbai case, the shipment arrived with documents from the Tianjin branches of the China Inspection and Quarantine (CIQ) and the China Council for the Promotion of International Trade (CCPIT), two government-affiliated bodies charged with facilitating foreign trade. CIQ certificates guarantee the product is what the supplier says it is while CCPIT documentation is required by Chinese firms seeking to export goods.

Deepak Mirwani is particularly enraged that Chinese official documents failed to ensure his supplier’s reliability. “Along with the B/L [board of lading] and other relevant documents received by us from China concerning this shipment we also have received the CIQ copy quality cer-

tificate verifying that the material is authentic 85% Phosphoric Acid. We also have the certificate of origin stating the authenticity of the material. Both these documents are issued by the government authorities in China. These documents are meant to be authentic, bonafide documents, and are the evidences given by the exporting nation to the importer assuring the quality standards of the consignment to promote exports.”

There are many questions here. In particular, were the CIQ and CCPIT documents fake? Signed by a CIQ official named Chen Yun on 13 December, the CIQ document with Ruihui’s Mumbai-bound shipment does carry a small-print disclaimer to the effect that this certificate does not in any respect absolve the seller “especially where quality is concerned”. This of course begs questions about the ultimate validity of a CIQ document in protecting importers of Chinese goods. It’s certainly not a problem confined to the Tianjin authorities, or the CIQ/CCPIT.


A litany of scams is to be found online, many of them on a forum function provided by Alibaba.com. There I read of a Croatian firm that ordered a container of nativity sets from Ningbo Canen Technology Industrial Limited, but instead received a container filled with bricks and papers. After getting nowhere with Canen sales manager Eric Luo, the importer presented police and customs reports and photos to the Chinese embassy in Croatia and the Croatian embassy in China, which turned to Chinese authorities. The attitude of the authorities is related in hilarious fashion on the forum:

“Unfortunately the Chinese authorities didn’t do anything about this case. Their first conclusion was that supplier really loaded the goods but because of heavy rain goods turned to bricks and papers! When I told them that such a miracle deserves to be an-

nounced in media, their investigators sent me emails falsificated [sic] from a side of Eric Luo - where it is written that we received lower quality goods and that we blackmail him to return us part of the money otherwise we will report him to Chinese embassy. But he made a huge mistake and he falsified the e-mail with wrong date - before arrival of the container. No matter, the Chinese authorities didn’t check our evidences and they didn’t do anything about it.”

Sadly, the words “scam” and “China” produce a few million hits on most search engines. Yet given the reputational damage to China – which coincidentally last year spent several million dollars on a worldwide

‘Made in China’ advertising blitz to improve the image of local suppliers – one wonders why Chinese authorities don’t take a much firmer hand to quality control of exports.

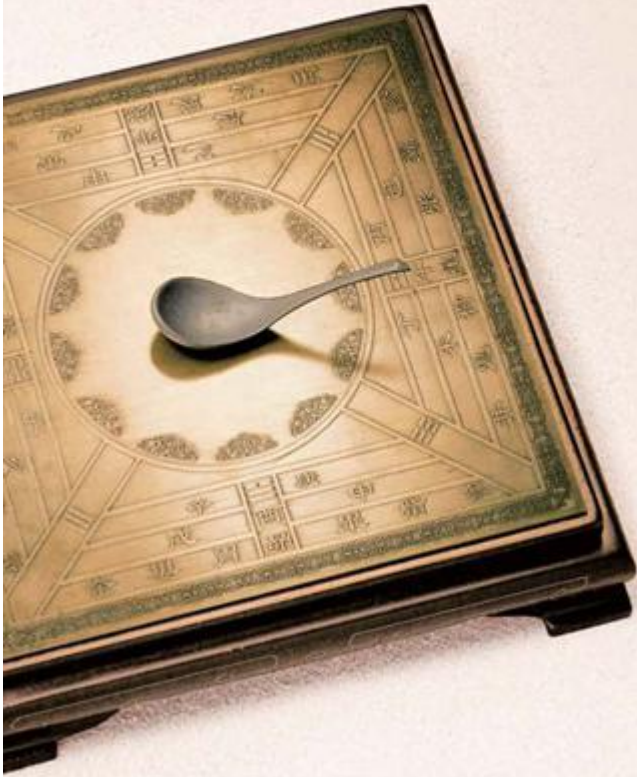
Both firms in this report claim they’ll look elsewhere for products, given the lack of credibility they’ve experienced in buying from Tianjin suppliers. While there are quick bucks to be made in scamming overseas buyers, the damage to brand China is immense. The Croatian buyer reporting on Alibaba has a sobering message for authorities here. “Today we are defrauded, tomorrow it will be some other company, and more and more criminals will make similar frauds - because they can.” 

One Born Every Minute?

Think you are found a supplier that offers you unparalleled price and quality? Beware.

An industry of supplier-watchers has sprung up offering quality control and factory visits for far-away purchasers of goods. We have collated tips from some of them for anyone sourcing goods from China:

- Avoid companies that have pretty much everything on their product list. In most cases, these are trading companies and you will not be offered the best deals from the negotiation table.
- You’ll need to do more than just send an e-mail. Calling or even going there for a short visit will bring you peace of mind and a better future deal.
- Pass on anyone who is slow to answer your initial contacts and enquiries. Imagine their work efficiency in solving issues when you actually buy something from them. If they do not respond promptly, it’s a sign to start looking somewhere else.
- Avoiding companies with many variations of their name is a good idea. The company you are considering is likely listed in several different reputable websites such as Alibaba, or they just have their own website. Do more research and pay more attention to the details of the company, such as its logo, products, address and telephone number.
- Typically, most Chinese factories have a city attached to their name. Pay close attention to factories that don’t.
- Avoid dealing with companies that claim to sell brand name products. Without a doubt, only those who go through select channels and pay a hefty price tag get brand name products.



Where your China Business Begins

Our business registration services will
open your doors to China

Company Formation

- WFOE incorporation
- Joint Venture formation
- Representative office establishment
- Mergers & Acquisitions

Post-registration Services

- Accounting
- Tax declaration
- Payroll
- Logistics
- HR services

Business Trip Assistance

- Interpreter services
- Car rental services



Tianjin City A Haven for Serviced Apartments?

CB Richard Ellis, Tianjin



Serviced apartments or executive apartments/residences or apart-hotels – whichever term one prefers to use – refer to residential premises comprising non-strata subdivided (that is, under a single owner), self-contained apartments with provision for kitchenettes that are rented out for at least 7 days. These would exclude hotels, boarding houses and hostels.

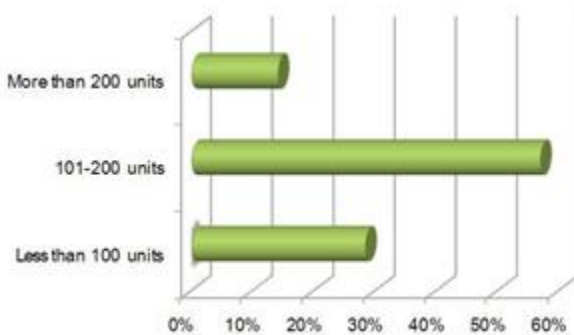
As this specialised property type caters to professionals, managers, executives and businessmen (PMEBs), serviced apartment developments are located in the central business districts. They quickly and easily access office, dining and banking facilities and are well-served by a good transportation network, amongst others. In Tianjin, most of the serviced apartments are found in the city centre, with a sprinkling located in TEDA, such as the TEDA International Club.

Some of the more notable serviced apartments include Somerset Olympic Building, Sheraton Hotel serviced apartments, Tianjin Centre apartments, Marriott Executive Apartments, Modena and Ariva. Their facilities and services include fully-furnished rooms with a well-equipped kitchenette, high-speed internet broadband access, cable TV channels, regular housekeeping services, use of a gymnasium and swimming pool, daily breakfast in the main dining room, and the *de rigueur* 24-hour security and receptionist services.

According to CBRE Research, there are approximately 2,000 serviced apartments operated by both international and local operators. Although most of them are under a single owner and/or operator, such as the Ascott Group, Sheraton Hotel and Frasers Hospitality, a couple of developments are sold to individual owners whose units

are subsequently managed by an operator. Two such serviced apartment developments are the Modena and Tianjin Centre, managed by Frasers Hospitality and CBRE Asset Management in Heping District.

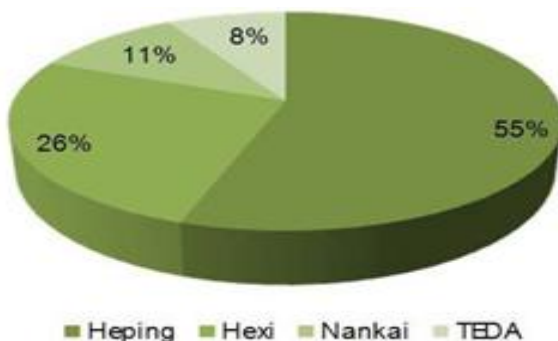
The largest operator in the Tianjin market is the Ascott Group, which operates three developments with an estimated total 520 serviced apartments. It is followed by Tianjin Centre where there are close to 370 units of serviced apartments along Nanjing Road. It is noteworthy that close to 60% of the total stock fall within the 101-200 unit category (see chart) – the benchmark set by some serviced apartment operators in which economies of scale can be achieved.



Source: CBRE Research

Since most of the serviced apartments form part of a mixed use development, the mid-term staying guests can gain quick access to their office and retail amenities without having to leave their building. Taking Somerset International Building Tianjin as an example: residents of the serviced apartment tower may be found working in the adjoining office tower as well as having the convenience of HSBC and ICBC Banks, a travel agency and Starbucks at their doorstep.

In terms of locational distribution, Heping and Hexi Districts have the lion's share of the Tianjin serviced apartments market, with an estimated 80% of total stock, or 1,600 serviced apartments. The TEDA market currently contributes less than 10% to the total stock.



Source: CBRE Research

In terms of operator profile, overseas players manage about 55% of the total stock of serviced apartments. Most of these international operators offer seamless accommodation services across geographical borders, thereby plugging the Tianjin market into the global arena. A customer from overseas seeking mid-term stay would be able to make online reservations for the Tianjin property, thereby widening the appeal of the local serviced apartment industry. Local operators would not have the benefit of the international network, although their focus would be more on the domestic market.

With close to 2,000 units in the city, one may ask, "Where does the demand come from?". For a start, the high-speed train service plying between Tianjin and Beijing within half an hour has spurred demand for serviced apartments in Tianjin. Executives from multinational firms which have offices in both cities can be found making trips to Tianjin more often than before, typically arriving at the beginning of the week for a two- to three-day stay. Such shorter-term stays have led to some serviced apartment operators offering daily room rates at very competitive levels when compared with hotels. There is also greater bang for the buck, as the unit sizes are larger than hotel rooms, thereby enhancing the overall comfort level for weary business guests.

Room rates for, say, a one-bedroom deluxe would range from 550 to 750 CNY per day (before the 15% service charge) – some 20% lower than a good-class hotel that may offer smaller rooms.

Typical peak periods see occupancy rates rising to more than 90% and such periods exclude the week-long Spring Festival public holidays, and summer holidays when expatriates go back to their home countries for at least two weeks. Low-season occupancy rates hover between 40% and 50%, although this would differ from one property to another. Overseas business guests represent close to 90% of the demand for long-term stays and about 60% for short-term stays. (Different operators have their own definition of what constitutes long-term stay, which could range from one month to three months.) Tenancy periods of at least a year are also typical for business executives.

A typical profile of expatriate occupants points to the Japanese, Koreans, Americans, Europeans and nationalities from Asia Pacific countries such as Australia, New Zealand, Singapore and Malaysia. These in turn relate to the profile of multinational corporations that house their operations in the Tianjin property market, whether it be in the city centre or TEDA.

Although the focus of serviced apartments is typically on the PMEBS, their families are not to be forgotten. The larger habitable space is ideal for those executives whose

spouses and children are living with them. Some child-friendly conditions include complimentary baby cots, and for children under twelve years of age who share the same room with their parents, a roll-away bed is provided free of charge. Babysitting services as well as a children's playroom are also provided by some of these operators to ensure a more comfortable stay. As for the spouses, activities centering around trips made to cultural spots, tourist destinations, shopping trips to malls in the city centre, TEDA and even Beijing are part of the overall experience of living in a serviced apartment. Activities organised during festivities such as the Dumpling Festival, Mooncake or Mid-Autumn Festival and Christmas add to the vibrancy of the expatriate community.

As Tianjin continues on its economic development to becoming the next powerhouse in northern China, more business opportunities abound, bringing with them the

demand for an accommodation that encompasses the best of both worlds – residential comfort amidst hotel service trappings. Looking ahead, we opine that there is still room for more serviced apartment operators to make their first foray into the Tianjin market as well as for existing operators to offer a greater variety of serviced apartments under their portfolio. In the case of the former, the push to make Binhai New District rival Shenzhen and Shanghai's Pudong is likely to bring about enhanced demand for quality serviced apartments. In the case of the latter, it is foreseeable that international operators, like hotels, will continue to strengthen their stable of serviced apartments by introducing other brands and product categories. All these spell good news for guests: as the saying goes, variety is the spice of life! 📺



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Manuel Torres



Yunjie Si

by Manuel Torres,
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The best way to resolve International Commercial Disputes (Part I)

In international trade in general and when doing business in China in particular, foreign investors may occasionally be involved in disputes with their business partners. The disputes may arise due to outstanding payments, quality of goods or services or delay in deliveries involved in international commercial contracts such as international trade contracts (regarding sale and purchase of goods), service contracts, joint venture agreements or intellectual property transfer contracts.

Under Chinese legal framework, generally speaking, international commercial disputes may be resolved through various approaches: consultation, mediation, arbitration and litigation, among which the former three are usually referred to as alternative dispute resolution outside of official judicial mechanism. It is essential for foreign investors to have a fundamental knowledge of the different dispute resolution approaches, as well as their advantages and disadvantages, available under Chinese legal framework.

Consultation

Consultation is usually the first step that the disputing parties will take when a dispute arises. The disputing parties may exchange their standpoints via written forms, conference calls or a face-to-face meeting to try to reach a settlement agreement. There is no formal requirement for consultation. Consultation is usually the best way of settling disputes for the following main reasons:

- 1) It saves time because it does not follow any specific procedure;
- 2) It saves cost because the disputing parties need not pay additional fees to any mediators, courts or tribunals for mediation, arbitration or litigation;
- 3) The settlement agreement, if reached, is usually acceptable to both parties and is easily enforced by the disputing parties;
- 4) Consultation usually has the benefit of preserving the parties' relationship.





Therefore, consultation is one of the dispute resolution mechanisms commonly included in contracts as a way to initially deal with disputes. It should be noted, however, that consultation may not always lead to a settlement agreement between the parties, and even though a settlement agreement has been reached, it could still be breached by either party and not be compulsorily enforced.

Mediation

Mediation is, in general, a mechanism in which the disputing parties voluntarily present their positions and proposals to a third party mediator who will preside over and facilitate the dispute resolution process. The disputing parties reach a settlement agreement under the mediation of the mediator. Mediation in China could be categorised into two types: binding mediation before an arbitration tribunal or court during the arbitration or litigation procedure, and non-binding mediation before any

other entity or individual who acts as the mediator.

If a dispute could be solved through mediation and the disputing parties voluntarily enforce the settlement agreement, it may save time and reduce costs.

Arbitration

Arbitration, unlike negotiation and mediation, is a formal and binding process of alternative dispute resolution in which the disputing parties voluntarily submit their dispute to a third party arbitration tribunal. The tribunal will hear the case and make an arbitral award. Arbitration has gained great acceptance and popularity among business operators worldwide for dispute resolution.

Though the arbitration legal systems may vary slightly in different countries, they share the common precondition for arbitration: that there must be an arbitration clause or arbitration

agreement between the disputing parties which provides that the parties agree to submit the dispute to arbitration.

In China, the parties of international commercial contracts may agree on arbitration as the resolution mechanism by including an arbitration clause in their contract or entering into an arbitration agreement specifying the arbitration commission, arbitration venue, arbitration rules, arbitration language etc. The arbitration commission may be a foreign one or Chinese one, not subject to any restrictions of exclusive jurisdiction under Chinese law. The arbitration venue may be located in China or abroad.

As China is the member of the New York Convention on Recognition and Enforcement of Foreign Arbitration Award 1958 (New York Convention), an arbitration award made in a foreign state or region which is a member of New York Convention may be

enforced by Chinese courts, and an arbitration award issued by a Chinese arbitration commission is also enforceable in any foreign state or region which is a member of the New York Convention. Currently, there are more than 140 member states of the New York Convention.

Arbitration in China

According to Chinese Arbitration Law, effective 1 September 1995, and judicial interpretations on this regard, it is essential that a valid arbitration clause or agreement include the following three elements:

- a) intention to submit the dispute exclusively to arbitration;
- b) items for arbitration;
- c) the definite arbitration commission.

In China, there are mainly three bodies eligible to arbitrate over international commercial contractual disputes: China International Economic and Trade Arbitration Commission (CIETAC) affiliated to China Council for Promotion of International Trade, China Maritime Arbitration Commission (CMAC) affiliated to Chinese Chamber of Commerce, and local arbitration commissions which are established by local governments. Among the three, CIETAC is the

most recognised and reputable Chinese arbitration body, with more than 50 years of experience in judging foreign related disputes. Compared to CIETAC, local arbitration commissions have less experience and resources in hearing foreign related disputes.

During the arbitration process, either of the disputing parties may apply for two kinds of provisional measures: property preservation and evidence preservation. The arbitration tribunal will transfer the application to the Chinese intermediate people's court of the place where the property or evidence to be preserved is located, and the latter will implement the provisional measures after review. It is worthwhile note that pre-arbitration provisional measures are not available under Chinese arbitration law, except for some maritime disputes where the application (usually, for arrest of vessel or charge) should be directly submitted to the maritime court of the place where the property or the evidence is located.

Practically speaking, since arbitration on foreign related disputes has developed over only 50 years in China, it may be more conservative and less flexible than in other nation's foreign arbitration courts.

International Arbitration

As an alternative to arbitration in China, disputing parties may choose foreign arbitration commissions, such as a court of arbitration of an international Chamber of Commerce, the Hong Kong International Arbitration Centre, the Singapore International Arbitration Centre or a reputable arbitration court of the foreign investor's jurisdiction.

Foreign investors may be more willing to choose an international arbitration commission. If international arbitration is selected, however, provisional measures against Chinese partners will be not possible in China, and in practice, enforcement of international arbitral awards by a Chinese court may be more time-consuming and complicated for a number of reasons, such as local protectionism. **E**
(To be continued next month)

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CHINA FOOD SAFETY

MORE THAN A LEGAL SOLUTION



In February 2009, China's National People's Congress Standing Committee passed the first comprehensive *Food Safety Law* (FSL), which took effect on 1 June 2009 and superseded the *Food Hygiene Law 1995*. FSL Implementation Rules were published and became effective in July 2009.

FSL came in the wake of the appalling tainted milk powder incident of 2008, which resulted in the reported deaths of six babies and the sickness of thousands of other babies. The events exposed serious flaws in the monitoring of China's food industry. FSL is intended to strengthen the government's supervisory powers, unify food safety standards at the national level, consolidate hundreds of existing regulations and standards for food-processing industries, overhaul the licensing system, and toughen liabilities for offenders.

In accordance with FSL, the Food Safety Commission was established in February 2010 by the State Council to act as the highest authority to oversee food safety in China. The commission is headed by the Vice Premier of China. Being a consulting and coordinating organisation, it aims to enhance the central government's capabilities in coordination and enforcement and to solve systemic food safety problems.

The Food Safety Commission consists of 15 state agencies which are currently responsible for food safety in China, including the Ministry of Agriculture, General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), State Administration for Industry and Commerce (SAIC), Ministry of Health (MOH), and State Food and Drug Administration (SFDA). Typical of China, in



order to effectively address any severe nationwide problems, coordination must be centralised by the central government. Food safety is no exception, in light of the persistent failures in monitoring in the past.

Currently, according to MOH, there are 1829 national standards and 1201 local standards in respect of food products and food additives, among which there exist various conflicts and differences that give rise to confusion and loopholes. Under the FSL, thousands of such rules and standards that currently govern the Chinese food industry are to be consolidated into one unified national food safety standard. This entails an enormous workload for MOH to compile and update the

rules. As of June 2011, 176 standards have been updated and published by MOH, including 68 standards for dairy products. In March 2011, MOH published the *Administrative Rules on Local Food Safety Standards*, which contains detailed procedures for preparing, reviewing and publishing the local food safety standards. The draft *Administrative Rules on National Food Safety Standards* has also been published and MOH has solicited public comments on it.

Before 2009, a business engaged in the food industry had to apply for a food hygiene certificate to be issued by MOH. FSL replaces this with three new certificates, namely, the Food Production Certificate (FPC), the Food Distribution Certificate

(FDC) and the Catering Service Certificate (CSC). A food producing and processing company needs to apply for FPC with AQSIQ. SAIC is in charge of FDC for food distribution companies. Hotels, restaurants and cafés have to secure a CSC from SFDA. The SAIC published the *Administrative Measures on Food Distribution Certificates* on 30 July 2009, specifying the procedures and requirements for obtaining the FDC. SFDA also published a draft version of the *Administrative Measures on Catering Service Certificate* for public comments.

In response to public anger that most contained milk powder products were granted the privilege of being exempt from inspections by state authori-

ties, the FSL abolished the inspection exemption policy for food products which had been widely abused by food producers.

Under FSL, no food safety supervision authority, food inspection institution, food industry association, or consumer association may “recommend” any food to consumers by any means. Any entity or individual including celebrity that endorses any food product that is found unsafe will bear joint liability with food producers and distributors.

In accordance with FSL, an improved product-recall system is established which – in addition to AQSIQ and SAIC – also involves SFDA. The law increases the administrative penalties for non-compliance. The new law pays special attention to food additives. No additives will be allowed unless they can be proven to be both necessary and safe.

The FSL significantly increases the administrative penalties and civil liabilities for offences by food produc-

ers and distributors. Apart from compensation for their losses, consumers may claim punitive damages equivalent to 10 times the price of the food product from the producer or seller. If the FPC of any food producer is revoked due to a violation of the FSL, the person-in-charge of the producer will be banned from taking up any management position in the food production business for five years; criminal charges might also apply.

It is true that FSL significantly tightens and consolidates the food safety regime in China. Nonetheless, as with many issues in China, it takes much more than legislation alone to restore consumer confidence in food “Made in China” both within and outside China. According to a report by China Central TV in June 2011, it is believed that 60% of the food additives now used in the market are technically undetectable. Not surprisingly, there remain too many challenges to be resolved within a short period of time and there still exist suspicions that the food-safety situation in China “remains grim”, if

no additional comprehensive actions are taken.

The Food Safety Commission does not have regulatory power itself: though headed by Vice Premier Li Keqiang, it functions as nothing more than a meeting forum. People hope the Food Safety Commission will not end up as just another layer of bureaucracy.

While government supervision and administrative sanction definitely play key roles in enforcing food safety, an effective food monitoring and supervising system can only function well when it is coupled with an individual enforcement mechanism. Private litigation will offer the public a legal recourse to hold food producers or distributors liable for any substandard products. The current tort law system has to be more receptive to even more-deterrent punitive damages and consumer class action.

In addition, food safety shall be upgraded as one of the major criteria for the evaluation by the state of local officials’ performances. Equally important, anyone engaged in the food industry – from food production and distribution to catering service industries – shall be required to set up a food safety fund or purchase a food safety insurance policy in order to provide a sufficient compensation mechanism for any potential victims.

The FSL and the new commission represent the most forceful effort and resolution yet by the central government to solve food safety issues. A year and half on, there are still scattered scandals every now and then, which suggest we still have to patiently await major improvements. ■



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Trademarks in China

A trademark is a sign that identifies your goods or services from others, allowing consumers to distinguish your brand from your competitors. Every business has one, and for many, it is one of the most important assets. Because China has a centralised registration system, the assessment and registration process is relatively straightforward.

It is important to note that China uses the 'first-to-file' system and generally does not recognise unregistered trademark rights. It is very important to register your trademark in China before entering into the market so as to diminish the risk of your trademark being hijacked. China is a member of the Paris Convention and the WTO, so you must file in China within six months of registration of the same mark in Europe in order to keep the original application date.

Fast Facts about Trademarks

- What is a trademark?

A trademark is a sign that identifies your goods or services, allowing the consumers to distinguish your goods or services from another.

- What can be registered as a trademark?

The sign may consist of words, devices, letters, numerals, three-dimensional signs (shapes), combinations of colours or any combinations of the above.

- Trademarks in Chinese

Chinese consumers often find that a Chinese name of a foreign trademark is much easier to pronounce and remember. A Chinese version of a foreign mark can be a transliteration or a translation, or the company can develop a distinctive Chinese mark. And because IP hijacking extends to Chinese language versions of others' marks, we highly recommend companies register a Chinese version of their foreign language marks.



Registration Procedure

A trademark can be registered either through the 'national system' by applying directly with China's Trade Mark Office (TMO) or through the 'international system' by submitting an application to the World Intellectual Property Organisation (WIPO).

In the national system, foreign applicants without a residence or place of business in China are required to submit trademark applications through a local trademark agency. A list of the qualified trademark agencies can be found at the TMO's official website: www.ctmo.gov.cn/sbsq/dljg.asp. Additionally, national applications can only be made in Chinese, and because China uses the international classification for goods and services under the Nice Agreement, a separate application must be filed for each class in which the applicant wishes to obtain protection. National registrations are protected for 10 years, but you may renew protection. The basic registration fee begins at 1,000 CNY (approximately 115 EUR).



An international trademark application must be based on a national application or registration in a Member State of the Madrid Protocol. A list of the Member States of the Madrid Protocol can be found at WIPO's official website - www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf. Applications are filed at the national trademark office of the home application or registration, which then passes the application to WIPO. Upon receipt of the application, WIPO will conduct a formality examination and the application is granted for all countries in which the applicant wishes to be protected. The TMOs of the countries specified then have 18 months to oppose the registration.

If an application is filed for a trademark using the national system, the TMO will automatically issue a trademark certificate upon the registration of the mark. The registrant of an international trademark which extends

to China can also request the Chinese TMO to issue a notice certifying the international registration. The trademark certificate is important evidence in infringement actions and therefore should be properly kept.

Lodging a Complaint

If you feel that your trademark is being infringed, you can lodge a complaint with the local trademark bureau of the Administration for Industry and Commerce (AIC) where the infringement is committed by indicating your trademark rights (producing a copy of your trademark certificate) and providing evidence of the infringement (sample products unlawfully using your trademark). Normally, the local office of the AIC will be able to conduct a raid against the alleged infringer on the same day it receives a complaint. At the end of a raid, if the AIC is satisfied that an infringement has occurred, it can order the infringer to stop the

infringing acts, and confiscate and destroy the infringing goods and the articles specially used for manufacturing the infringing goods or labels.

The AIC may also impose fines. The amount of the fine depends on the size of the illegal business, and cannot exceed three times this amount. However, the calculation of the 'illegal business' is not easy, since in most cases the infringer does not produce any accounting material, and reference to the price of authentic goods is still not accepted by the Chinese authorities. If the fine cannot be easily calculated, a fixed amount may be decided by AIC, with a maximum of 100,000 CNY (approximately 11,423 EUR). AIC cannot grant compensation, however, and can only act as a mediator. Assessing and granting compensation is within the exclusive jurisdiction of the People's Courts.



The Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) is a government agency in charge of product quality, national standards and raids against fake and poor quality products. A trademark owner may therefore choose to lodge a complaint with the AQSIQ if the infringing products have quality issues. AQSIQ can impose a fine and confiscate the inferior products.

A rights owner can also file a civil action with the People's Courts. Upon receipt of the complaint, the court will send the complaint to the defendant within five days. The defendant must file its reply within 15 days of the receipt of the complaint. The court then sends the reply on to the plaintiff within five days of receipt. Parties to the lawsuit will be required to exchange their evidence in chief before the start of trial. The court will either set a time limit for the party to submit evidence or hold a hearing for evidence exchange. The case will then proceed to trial.

The court may also act as a mediator and try to have the parties settle the

dispute. If the parties reach a settlement they will sign a settlement agreement. If a settlement is not reached, the court will decide the case. The primary remedies available to the rights owners include an injunction against the infringer and award of damages.

Amount of damages is calculated by considering the losses and profits gained by the infringing goods. If it is difficult to calculate the rights holder's losses and the infringer's gains, the Court can award lump sum damages not exceeding 500,000 CNY (approximately 57,117 EUR).

What acts constitute a trademark crime?

Manufacturing or knowingly selling counterfeit products can be a criminal offence. An infringer can be sentenced to up to seven years imprisonment depending on the scale of the infringement activities. A criminal action is likely to have the desired deterrent effect on sophisticated and repeated infringers. In practice, however, it is often difficult to convince the Public Security Bureau to conduct criminal inves-

tigations and to have the People's Procuratorate initiate a criminal case. Therefore, careful planning and detailed investigations are required to collect as much information as possible to present the case to the PSB or the People's Procuratorate. In addition, it is also possible for the rights owner to initiate a private prosecution (as opposed to a public prosecution) against the infringer. **E**

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Burnout

an overrated phenomenon or a serious threat to an organization

by Susan Salzbrenner

Do you feel an unpleasant level of pressure to succeed? Do you feel that you are in the wrong organization or the wrong profession? Do you feel that there is more work to do than you practically have the ability to do? If you answered “yes” to all of these questions, then you might be heading toward a stress-related disease or burnout.

Nowadays, job stress is estimated to cost the American economy more than 300 billion USD per year in

health care, absenteeism and stress-reduction programs. Difficulties in managing both work and family responsibilities, sleeping disorders, physical or psychological effects (heightened irritability, upset stomach, headache, lack of energy), and an interference of work into personal matters – the effects of job stress are spreading into every aspect of life, and are increasing. Due to a heightened pressure to “perform well at all times” and a decreased acceptance to stay at home sick, employees are stretching themselves to the point of no return. Countries like the US, Japan and or China – where work weeks easily go into the 50-60hr range in middle and upper management, combined with very short vacation times – have in

the past decade experienced a hike in stress-related diseases that can cause long-time absenteeism.

What is job burnout and how is it caused?

Burnout can be described as the experience of long-term exhaustion and diminished interest.

Christine Maslach, one of the leading researchers in the burnout field, developed the Maslach Burnout Inventory (MBI), which can be used to assess your burnout level with a validated test. Using three dimensions to describe the syndrome –exhaustion, cynicism and inefficacy – the MBI is the most-well-studied measurement in the field today.



An HR professional should know the root problems and the consequences burnout has on the organization's efficiency and productivity. What are the main causes besides personality traits that can be influenced by the HR department? None of them can single-handedly cause stress-related diseases like burnout, but in combination these circumstances become dangerous:

1) Unclear requirements

It's much harder to feel good at your job, enjoy what you do and feel confident about the results if you do not have clear KPIs and job requirements. It is vital for the HR department to ensure clear job descriptions that are followed.

2) Impossible requirements

Jobs that entail certain requirements which are impossible to achieve leave the employee constantly unsatisfied and labeled an "underachiever"; employees put in a lot of time and are most likely incapable of performing the tasks at hand.

3) High-stress times with no "down-time"

If intensive work loads and extra time have to be carried on for a while, this effort needs to be recognized, rewarded and limited. When there is no time for workers to recover, stress becomes chronic and can affect both health and psyche of the employee.

4) Big consequences for failure

If every occasional mistake (which we all make) will have serious consequences, the overall work experience becomes a lot more stressful and therefore puts the employee in a higher risk-group for burnout. This is one reason why such a high percentage of nurses, caretakers and doctors need to be treated for burnout.

5) Lack of personal control

A certain degree of decision-making powers and creativity in solving



problems give employees a feeling of control and therefore satisfaction with their positions. Too many restrictions and an inability to make daily decisions can lead to unmotivated employees that are more prone to burnout.

6) Lack of recognition

Recognition of accomplishment through awards, bonuses, public praise

or other tokens of appreciation help to keep a high morale and buffer against stress-related diseases.

7) Poor communication

The absence of a clear communication line or contact person in case of problems, whether of personal or professional nature, can cause disorder or unclear requirements. HR profession-



als are there to ensure that the company offers ways for all employees to outlet complaints or suggestions without the risk of personal consequences.

8) Insufficient compensation

If a particular position has a constant high workload and overtime, the employee needs to be remunerated appropriately. However, if demands are high and compensation is low, the employee is likely to look for a new position or burnout while coping with the old one.

9) Poor leadership

Leadership should probably at the top of this list, as it is a contributing factor to many others here. Great leadership can buffer a lot of other “weak spots” in the company, as people will feel engaged, supported and valued.

Who is most likely to be burned out?

Research shows that perfectionists, idealists and people described as having the “helper syndrome” are

most prone to burnout. Additionally, individualist cultures traditionally have a greater tendency to burnout than cultures of collectivism. One can argue that the burden of success and failure in an individualist work culture lies purely with the employee responsible for the task, which results in higher pressure to find a solution on your own. People with a strong social network or work community are less likely to experience threatening levels of stress, as are happily married couples with children (although overall responsibilities are greater, the family serves as a buffer). Ironically, the younger the employee, the more prone he/she is to burnout.

How does burnout affect the organization?

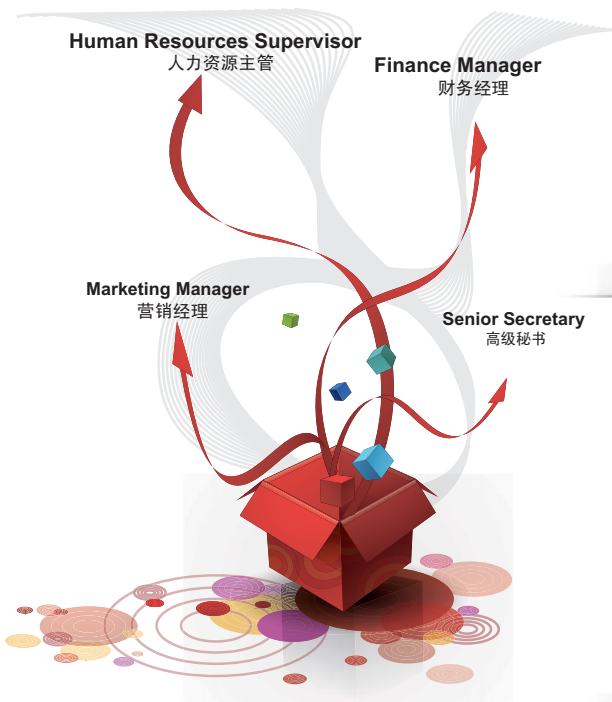
Human Resources could argue that burnout is a problem of the individual, and the employer should not intervene. The consequences for the organization, however, are vast, especially considering that most of the employees hit by burnout sit in mid-

dle- to upper-management positions. Decreased productivity and valuable staff leaving for long-term recovery are two obvious consequences of stress. As Maslach says, “Getting the best out of people does not mean getting the most out of them.” An organization should carefully assess its corporate culture towards work-life balance. More than 50% of US employees fail to take their annual leave, although it has been proven that taking vacation actually increases productivity by as much as 82%.

China has in recent years experienced a dramatic growth of exhausted professionals seeking help, or dropping out of their jobs for a while. Constant, fierce competition and work pressure are main causes for this new development. An online survey in 2009 showed that 10.8% would describe their burnout condition as “serious”, while a total of 74.6% indicated they are suffering from burnout (peixunz.com). Contributing factors like rapid urbanization (that come with issues like rising property prices, family questions, and long commutes to work) and rapid social changes (moving up the social ladder, finding a spouse) have changed the scenario China saw a decade ago. Back then, an Australian company established itself in the country to provide Employee Assistance Programs, only to close soon after due to low demand. Nowadays, similar companies in Beijing have a client base of 100,000 companies, with over 30% of their employees seeking help. Recent serial suicides at Foxconn factories, as well as a government push for better mental health facilities, will hopefully create momentum to tackle this increasingly serious threat to organizations. ■

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Marketing Manager
营销经理

Code: MM110701

JOB DESCRIPTION:

- Develop strategy for growth and expansion of current business
- Maintain and develop relationships with key customers
- Coordinate and execute planned events
- Lead a marketing/sales team
- Check sales proposals, presentations and contracts, negotiate and close contract with clients
- Prepare monthly report of activities and goals

WHO WE ARE LOOKING FOR:

- Bachelor's degree or above, major in marketing or business administration
- 5 years of marketing/sales experience
- Ability to meet multiple objectives in an entrepreneurial environment with little supervision
- Negotiation skills
- Good interpersonal skills
- Team-leading experience
- Proficiency in written and spoken English

Human Resource Supervisor
人力资源主管

Code: HRS110702

JOB DESCRIPTION:

- Establish and implement HR policies and projects
- Manage the recruitment process
- Communicate and coordinate internal and external communication
- Develop a training program that supports the needs of the business and enhances the performance of individuals
- Organize and manage training activities, develop and improve the content of training courses, manage and file training results, ensure the effect of training courses on the improvement of employees' actual working ability
- Develop relationships with agency and arbitration bureau
- Coordinate with other departments

WHO WE ARE LOOKING FOR:

- Comprehensive knowledge of HR policies and practices
- Strong mentoring and counseling skills
- At least 3 years of experience in a similar position
- Patient, good at communicating with people at all levels
- Degree in Human Resources, Business Administration or related discipline
- Works well under high pressure
- Good spoken and written Mandarin and English

Finance Manager
财务经理

Code: FM110703

JOB DESCRIPTION:

- Responsible for accounting department
- Prepare and analyze periodic financial reports
- Coordinate monthly closing and budget control
- Handle tax declarations
- Support all CFO responsibilities
- Manage cash flow

WHO WE ARE LOOKING FOR:

- Education in Finance
- Several years of experience in the financial field
- Highly organized
- A fine eye for details
- Good spoken and written English
- Team player, sense of responsibility

Senior Secretary
高级秘书

Code: GA110704

JOB DESCRIPTION:

- Responsible for providing senior-level secretarial and clerical services for the GM
- Provide office support service
- Represent GM in events and business issues
- Perform other related duties as required

WHO WE ARE LOOKING FOR:

- office administration experience
- an understanding of the western cultural and political environment
- analytical, problem-solving, time management and decision-making skills
- computer skills including the ability to operate computerized accounting, spreadsheet and word processing programs at a highly proficient level
- demonstrate sound work ethics
- Fluent English (speaking, reading and writing); candidates with Spanish proficiency will be preferred.

The Astor Hotel Tianjin reopens after a stunning restoration as the first Starwood Luxury Collection hotel in China

Starwood Hotels & Resorts Worldwide Inc introduced its premium Luxury Collection brand to China with a suitably iconic property – The Astor Hotel, a Luxury Collection Hotel, Tianjin on 15 June. Media from Shanghai, Beijing and Tianjin attended St. Regis & The Luxury Collection Brand Presentation meeting made by Paul James, Global Brand Leader of St. Regis & The Luxury Collection. Mr. Leon J. Lee, General Manager of The Astor Hotel, a Luxury Collection Hotel Tianjin, and his team joined the meeting as well. After the presentation, The Astor arranged a historical tour of the hotel.

The 148-year-old landmark in central Tianjin reopened in August 2010 after an 18-month makeover by award-winning designer Alexandra Champalimaud. The Astor Hotel overlooks the Hai River in the heart of the former British Concession, now the Heping financial district. It was first built by British Methodist missionary John Innocent in 1863, following the signing of the 1860

Beijing Agreement that opened Tianjin as a commercial port and divided the city into nine foreign concessions.

Throughout its proud history as a 'Diplomatic Hotel', The Astor Hotel has hosted many global leaders and landmark events. Several international treaties – including the Sino-Denmark and the Sino-Holland treaty – were signed here, and for a few years Dr Sun Yat Sen presided over China from The Astor Hotel. The last Emperor Pu Yi and Empress Wan Rong used to dance in the hotel ballroom. In 1957, then Premier Zhou En Lai met the visiting Polish Premier here.

Reflecting its extraordinary heritage, The Astor Hotel is the only luxury hotel in China classified by the National Important Historical Relics Protection Unit.

This treasured address has been chosen to debut Starwood's Luxury Collection brand in China. The Luxury Collection is a premier tier for

truly iconic world hotels promising a "unique and cherished experience of its location and a portal to the city's indigenous charms and treasures".

The Astor Hotel features 152 elegantly appointed rooms and suites in both classic Victorian style and more contemporary elegance. It also houses five exciting dining and wining venues. Signature fine dining experience 1863 – The Dining Room serves gourmet Anglo-French specialties and vintage wines in an elegant historical setting that pays tribute to the original Astor experience. Chinese restaurant Shui An offers local and regional Chinese specialties in a modern-Zen dining room, and Café Majestic serves buffet breakfast and all-day a la carte favourites from an open kitchen. O'Hara's English Pub, styled after an authentic British gentlemen's club with Winchester sofas and an oversized bar counter, pours a large selection of beers, single malt whiskeys and innovative cocktails, and serves up live music from Tuesday to Saturday. A total of 1,000sqm of conference and



Astor Victorian Lounge



O'Hara's English Pub



Astor Lobby

meeting space includes the Buckingham Ballroom with a fine domed ceiling, and the Windsor Multi-Function Rooms. As a Luxury Collection Hotel, The Astor Hotel Tianjin provides a range of signature services, including Luggage Liaison, a suite of travel services including luggage storage and unpacking/packing services upon request, and News Paper Direct, a print-on-demand service for over 520 newspapers.



Paul James, Global Brand Leader
The St. Regis & The Luxury Collection

Business Tianjin spoke to Mr. James and Mr. Lee about their vision of the St. Regis & The Luxury Collection brand and the first such hotel in China.

How has St. Regis and Luxury Collection stayed strong for so many years? And what are the keys for the brand going forward?

Paul James (PJ): The strength has come from being relatively small luxury hotels focused on their markets. It's not as if St. Regis and Luxury Col-

lection are new to the luxury game. We've been doing it for a long time, we have a lot of experience, a lot of heritage in that space. So, I think that has given us our bust for our brand and our quality to be recognised.

Our goal for both is growth. And they've been growing appropriately, and finding the right market, the right partners to work with, and finding how we can ensure that we don't change the quality and we've been consistently focused on the quality of the hotel. And that you'll find them in more places. If I look at the performance, rates, occupancy, market share, they're all doing very well so I know that our customers are recognising that. We have to keep our focus on customer satisfaction and that will put all things in order.

Do you have any specific plans to extend The Luxury Collection in China?

PJ: I know that we have half a dozen projects all over China already but there are more and that's partly what we're doing now. The success of this hotel and the success of the next couple of hotels to open, I think, we're bringing more people to understand this specific opportunity.

What are the areas, products or facilities that you retained from the old Astor Hotel, and what new facilities or products did the Luxury Collection introduce?


Leon J. Lee: We have to keep the feeling of the old Astor Hotel, but nobody would actually stay in a hotel that old. All electronics, the internet, we changed all that. You want to feel the history but you don't really want to experience it, so everything's modern.



Leon J. Lee, General Manager
The Astor Hotel, a Luxury Collection Hotel Tianjin

How do you market your luxury hotels? Do you have any plans to attract customers from enterprises?

PJ: Marketing is an important aspect to all hotel business. In luxury hotels, it's less about the large groups but more about the small, incentive groups and the premium business groups, and in fact that's what we're known for. The success that our St. Regis has, historically, has been on major political and commercial meetings, state discussions, the government vs. industry discussion that took place in 2008 in all St. Regis Hotels... so that aspect the small, intimate, powerful meetings is the bread and butter for our business.

In the resort hotels like Luxury Collection and St. Regis, the broader incentive is essential, and you'll find small incentive groups at all of our hotels whether that's 1,200 dollars a night at St. Regis New York or a beach resort in Bali. So it's very different; it's not a large group but it's very special. 



Wellington College International Tianjin First Family Day Event



Another chapter began on 5 June, 2011 for Wellington College International Tianjin, as the doors were opened and the first Family Day Event was officially held. People from many different nationalities - Korean, American, Japanese, and Chinese and more were present, and the event opened at 10 a.m. with Headmaster David Cook officially beginning the day with a speech from inside the school's massive theatre.

Afterwards, approximately 250 people went their separate ways to explore the grounds and facilities or participate in some of the activities available. Parents primarily focused on investigating the world-class facilities, which are completely finished and ready to receive incoming students, but were also able to view two visiting art exhibits, notably the "Ice, Journey to the Land of Icebergs" photograph collection by Dr. Robert Bolognesi. Teachers from the school were also in attendance so parents could meet different members of the faculty.

The kids enjoyed both Western and Eastern activities: a pleasant goat and big bad wolf bounce castle, SNAG Velcro, a mini-train amusement park ride, candy art, traditional egg painting, and paper cutting. At a booth for the Tianjin Goldin Metropolitan Polo Club, kids could try on helmets and practice swinging polo mallets while learning about the game.

Among the chaos of running and playing, a delicious scent wafted through the halls. The day's menu gave an example of what foods students could expect at the school. Thai dishes included spring rolls, massaman curry with rice, green curry with rice, fried rice with roast chicken, pork fillet with green peppers, and pat-kee-mao (drunken noodles).

After lunch, the highlight of the day took place. Wellington's teacher, staff, and students suited up to challenge the parents to a friendly match of football.

A good time was had by both young and old during what is hopefully the first of many future Family Days at Wellington College International Tianjin. **B**

Getting wet for a good cause

Teda Community Charity Event

On 28 May 2011, the weather gods blessed the third TEDA Charity Fundraising Event with perfect temperatures for a garden party. Tianjin Warner International Golf Club Spa provided ample outdoor opportunities to sit, eat and chat with friends, as well as a stage and dance floor, and a little river. Many sponsors contributed to the successful in community event.

Buffet diners listened to the Rythmicclassic Band to get into a dancing mood. During the course of the evening, the music was stopped for 4 lucky draw rounds. Anticipation grew with each round of great prizes offered by sponsors from TEDA, Tianjin and Beijing. In between draws there was time for dancing to the latest chart toppers, grabbing one of the last desserts or catching up with old (or new) friends. Two hosts from TEDA International School guided the programme with lots of humour and even displayed their talent for magic tricks. The evening culminated in the grand prizes: two weekend stays in a suite at Renaissance Beijing Capital Hotel. The lucky winners took a victory dip in the river, ending up with wet pants and dresses. Definitely the highlight of the evening!

The event raised 23,000 CNY that will be donated to Hangu Strong Kids Club in September 2011, the start of the school year. This organisation provides financial support to primary and middle school students whose families are in a difficult material situation. So far the organisation has also helped 96 students to go to university with outstanding results.

Thanks to our many sponsors: Tianjin Warner International Golf Club, TEDA International School, GEMS World Academy, Westrac China Machinery Equipment, Solvay China, Tianjin Da De Dian Zi, Shin Han Bank, Korean Exchange Bank. Ao Mei Jia Palais Spa, Bali Papaya Restaurant Beijing, Conitech, Delights Restaurant & Bar, Eye Coffee, Jacky's Pub, Luise Hair Shop, Opus Food & Wine Cellar, Orchid Massage & Nail Spa, Parrot Restaurant & Bar, Raffles Hotel Tianjin, Renaissance Beijing Capital Hotel, Renaissance Tianjin TEDA Hotel, Sheraton Tianjin Binhai Hotel, SPR (Aeon Mall), Sun Qing Jie equipment rental & services Tianjin, Talent Electronics, TEDA Community Service Volunteers Association, Timeless Foot Massage, Tokugawa Japanese Restaurant, Wasabi Japanese Restaurant, Wei Ha Pub, The Westin Hotel Tianjin, Yan Cheng Korean Massage. Media partners: Business Tianjin and Tianjin Plus. 



The St. Regis Tianjin begins mass recruitment



Damon Page, General Manager of The St. Regis Tianjin.



The St. Regis Tianjin



Interview a candidate

The St. Regis Tianjin started its mass recruitment on 29 & 30 May at Nuovo Paradiso Movie Restaurant Café on the Italian Street. It plans to fill nearly 200 vacancies, including all major departments: sales & marketing, rooms, food & beverage, engineering and security. The multi-function positions will allow associates to experience various fields, develop their potential and offer more uncompromising, customised services to guests.

“St. Regis trademarked the phrase ‘People make the difference’ since last early century,” said Michael Pross, Regional Director of Human Resources, Greater China, “We are looking for passionate talents who care about how our guests feel. We are looking for people who are willing to grow with Starwood.”

As more branded hotels enter the Tianjin market, competition for hotel talents intensifies. “We still have great confidence on the mass recruitment and the hotel’s opening,” said Sally Chen, Director of Human Resource at he St. Regis Tianjin. “Our human resources acquisition strategy will allow us to improve our service standard and to be more instinctive in delivering the St. Regis un-

compromising and bespoke service to our guests. While for our associates, it is a great career development opportunity to allow them to learn more and grow faster.”

“The purpose of this recruitment is to choose the right people to form our team and... let guests feel Regis’ personal butlers’ services nowhere and everywhere in the hotel,” said Damon Page, General Manager of The St. Regis Tianjin.

Each new associate will receive professional training and guidance to help plan a career path. With the rapid development of Starwood hotels in China, associates will have more opportunities to grow and develop within the company.

“The St. Regis hopes to grow up with Tianjin,” said Page.

The St. Regis Tianjin will hold its soft opening in September and grand opening in October. ■

The St. Regis Tianjin
No.158, Zhangzizhong Road, Heping District
和平区张自忠路158号
www.stregis.com/tianjin

XEDA emerging industrial park project presentation



In-depth exchanges

On 28 May, a project presentation was held in XEDA emerging industrial park. This was the first promotional conference held since XEDA was upgraded by the government to a national economic-technical development zone. The Zone specialises in software outsourcing, video game animation, information services, industrial design and other modern service industry high-end platforms. This conference invited over 100 investors and industry association representatives from the US, Europe, Japan and Korea, including foreign and domestic investors.

The conference consisted of project introductions, on-the-spot visits and in-depth exchanges. Administration committee director Liu Qige made opening remarks. Then vice-director Zhang Hanbing introduced the environment, facilities, support policies and advantages of the industrial park. Site visits followed, displaying offices, accommodations, leisure and related facilities of the industrial park. Visitors learned of the current investment environment and development potential in XEDA. ■



Liu Qige, XEDA Administration Committee Director



Vice Director, Ms. Zhang Hanbin (right) welcomed visitors

European Chamber of Commerce Event Review Europe Day Celebration

By Richard Olsen II



On 28 May, in the Victorian Lounge of the Astor Hotel Tianjin, the European Chamber - Tianjin Chapter, in conjunction with several major sponsors, presented a collection of photographs entitled “Ice, Journey to the Land of Icebergs” as the main event of the Europe Day Celebration. The exhibit was comprised of 26 photographs displaying icebergs in a multitude of settings, across a range of polar habitats in Greenland.

The photographs were taken and produced by Dr. Robert Bolognesi, founder of Meteorisk, a company that researches and develops computer models to evaluate and predict risks related to meteorological events.

Inside the Victorian Lounge, the sundrenched atrium of the Astor Hotel Tianjin, participants arriving early were greeted by the sounds of a chamber ensemble playing a variety of classical songs. Family activities were available for both young and

old, as Wellington College provided an area full of entertainment: drawing, puzzles, painting and a large selection of toys to play with. Also present was a juice bar to keep kids well-refreshed. While waiting for the event to begin in the main lounge area, the older crowd was able to beat the heat, which there was plenty of, by enjoying beer, wine and other beverages from an open bar. A delicious selection of hors d'oeuvres, from miniature crème filled pastries to egg salad sandwiches, graced each table at the event. Attended by

eighty people, the event commenced at 3p.m. with an address by local chamber Chairman Eric Bouteiller. Afterwards, Dr. Bolognesi provided a video presentation on icebergs and some of the features regarding their formation and ocean travels. Prior to the event, we were able to sit down with Dr. Bolognesi to discuss some aspects of his work and what led him into the field of researching icebergs and avalanches.

How did the Titanic lead to your study of icebergs?

When I was a 5-year-old boy, my grandfather told me a story about the Titanic. I was very impressed by it. But I could not understand why there was just one iceberg out in the middle of the ocean. He couldn't tell me where it came from, so he said, "It comes from the north." For me, that was very mysterious.

But there are also Icebergs in the south. Do the poles of the planet affect your modeling?

No, I don't think so. Well, in the south, for me, it's not a big problem,

because there are big icebergs but no ships. But in the north we have at the same time icebergs and ships. In the near future, there will be more oil extraction and ships, and icebergs could cause a big problem.

How relevant do you think your model will be to the Arctic shipping passage?

I don't think we can say that ships cannot use this passage. But we also have to consider that this is very dangerous for the environment. If we want people to be able to go there without problems, we need to study, very carefully, where people will go and everything about icebergs. It's very important to make this route safe.

Can you tell us a little bit more about yourself? What do you do when you aren't working?

I'm very interested in snow, ice, and avalanches. I like very much to be in the high mountains in the north in Greenland. This part of the world is beautiful and interesting and we need to take care of it. I would like

others to discover this part of the world. I like to paint, to read and to listen to music. I also like sports, like climbing and skiing.

Is there one general message you would share about icebergs?

I would say that even though the ice is melting, it doesn't mean that it's a very dangerous time for the Earth. But that does mean that we have to learn more and we have to take care of the Earth; for our children, and our children's children. So I would say, remember that the icebergs show to us that nature is beautiful and that we have to take care of it and keep it in a good state. **E**

The European Chamber regularly sponsors events in the Tianjin area. For more information, please visit its website at www.eurochamber.com.cn/view/events





EUROPEAN CHAMBER IN TIANJIN

EU Commission visits TJ

A delegation from the European Commission spent 9-10 June in Tianjin to hear the problems that European companies face in their respective industries. The delegation also took the opportunity to visit Airbus and Vestas. Ms. Helena König heads the team in charge of trade issues with China, which range from company/sector-specific trade issues to high level policy-making.

9 June, Meeting with members of European Chamber Tianjin Chapter



Meeting with members from chief industries and leading European companies in Tianjin



Site visit of Airbus

10 June, Meeting and site visit of Vestas



In front of Vestas building



Briefing before the Vestas factory tour

GM Briefing



More than 20 top executives attended the launch of the European Chamber Business Confidence Survey 2011 at the 2 June GM Briefing dinner in Renaissance Tianjin Lakeview Hotel.

Since 2004, the European Chamber has conducted an annual survey of member companies to monitor their views on the business environment and gather their opinions on trade and investment in China.

The European Chamber Business Confidence Survey 2011 is once again produced in partnership with Roland Berger Strategy Consultants, and draws on feedback from nearly 600 European companies – the highest participation rate ever. This year's survey offers insight on European business confidence in the Chinese market at a time of impressive growth, rising competition, and the release of China's 12th Five Year Plan. The results – the most comprehensive and wide-ranging set of data yet gathered for this annual survey – provides the most up-to-date and in-depth analysis on sentiment among European businesses about the Chinese business environment. This information has important implications for Chinese and European policy-makers, businesses, organisations as well as the general public.

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제2회 어버이날 행사 개최

North Chungcheong International CEO group visit

Date: 3 June 2011, 10am

Venue: Jinghai car accessories factory
 Xiqing yoosung photoelectron
 Fenglin Hotel Banquet Hall

Content: Visit 3 member companies
 Korean Businessmen in Tianjin forum

Communitiy Fair with Customs

Date: 7 June 2011, 10am

Venue: Conference room of Customs
 Headquarters building

Content: Customs Manual – deposit of level
 A member can be waived

Deposit of level B member can be waived if guaranteed
 by Korean Chamber



중국인학생 한국어말하기 대회 개최

충청북도 글로벌 CEO연수단 천진방문

○ 일 시 : 2011년 06월03일 (금)10:00

○ 장 소 : 1. 정해현 선일다이파스
 2. 서청구 유성광전자
 3. 서청구 화인창광전자
 4. 풍림호텔 연회청

○ 내 용 : 1. 3개 회원사 방문
 2. 천진한국인(상)회 임원분과 간담회

해관과의 간담회 개최

○ 일 시 : 2011년 06월07일 (화)10:00

○ 장 소 : 천진시 해관 총서 3층 회의실

○ 내 용 : 1. 수채관련 A급 회원사는
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AmCham-China Tianjin Chapter

Upcoming Event

AmCham-China, Tianjin Chapter Annual US Independence Day Celebration

4:30-8:30PM, Saturday, July 2 -- Tianjin Renaissance Lakeview Hotel

Gather with family, friends, colleagues and the AmCham-China, Tianjin Chapter for our yearly celebration of America's Independence Day! The festivity will be held on Saturday, July 2nd at the Renaissance Tianjin Lakeview Hotel, which will provide an all-inclusive buffet with all the goodies you have come to expect for this occasion. We'll also have plenty of cold beverages to help beat the heat. While you eat, listen to the American-themed music and compete in our family-friendly games.

For detailed information on sponsorship or to book tickets, please send an e-mail to amandahe@amchamchina.org or call Amanda He at +86 22 2318 5072.

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 Website: www.amchamchina.org



BenCham – the Benelux Chamber of Commerce in China – strengthens the business, government and community ties between Belgium, The Netherlands, Luxembourg and China. With offices in Beijing, Shanghai and one newly established in the Pearl River Delta, we provide a wide range of services to ensure our members' success in China.

DUTCH VICE PRIME MINISTER MAXIM VERHAGEN VISITS CHINA

Forty-four Dutch entrepreneurs travelled to China with Vice PM Verhagen. The minister met with his Chinese counterparts to discuss trade, mutual investments, agriculture and innovation. His visit aimed to create opportunities for Dutch entrepreneurs in the growing Chinese market.

BENCHAM BUSINESS DIRECTORY 2011-2012

BenCham has published the third edition of its Business Directory (2011-2012). All BenCham members are listed in this annual publication, which is the best resource for making business contacts and promoting a company in the Benelux Business Community in China and beyond. It will be sent to all BenCham members, as well as to Belgian, Dutch, Luxembourg and Chinese officials and business organizations.

UPCOMING EVENTS

- 26 July 2011, Training: Empowering your executive assistant
 - 09 August 2011, Training: Effective business writing
- To keep updated on upcoming events, please email us at office-bj@bencham.org or visit our website www.bencham.org

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OUR LINKEDIN FAMILY

All BenCham members are invited to become part of the BenCham LinkedIn group.

To go directly to our member group, please visit: www.linkedin.com/groupRegistration?gid=105429.

YEARLY SPONSORS



The purpose of the China-Italy Chamber of Commerce (CICC) is to create and develop economic and trading relationships between China and Italy. The CICC facilitates the access of Italian enterprises to the Chinese market through a wide range of services and benefits on top of organising events to deepen the knowledge of the Chinese market and its regulations. In addition, the CICC carries out networking activities that strengthen Italian-Chinese cooperation.

RECENT EVENTS

23 June 2011, Protecting Clean technologies: Intellectual Property Rights in China China IPR SME Helpdesk seminar - Kempinski Hotel, Beijing

The China IPR SME Helpdesk's seminar, Protecting Clean Technologies, offered practical advice from legal and industry experts on how to safely develop new, clean technology in China and how to manage technology transfer. The seminar covered using patents, licensing, trademarks and copyright to protect your innovations.

28 June 2011, Investing In China Breakfast Seminar - Hilton Beijing, Work Room

This joint-Chamber breakfast meeting, entitled Investing in China, was presented by Mr. John Kuhns, Chairman and CEO of China Hydroelectric Corporation and Chairman of the private investment bank Kuhns Brothers. Mr. Kuhns shared his insights and investment strategies on various topics that include investment opportunities in Chinese industries. Organized by the China-Italy Chamber of Commerce, the Canada China Business Council, in partnership with Rutgers Executive MBA Beijing Program and the Benelux Chamber of Commerce.

The Economic Bulletin of People's Republic of China – July 2011

The China-Italy Chamber of Commerce is glad to announce that the next issue of its Economic Bulletin will be published in July 2011. The quarterly Economic Bulletin informs readers about economic issues of national and international interest, and governmental policies and directives, giving a macroeconomic analysis of the past three months in order to forecast the Chinese markets future trends.

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Guangzhou, 510064
Tel.: 0086 20 8365 2682
Fax.: 0086 20 8365 2983
infoguangdong@cameraitacina.com

JULY 2011

MON	TUE	WED	THU
<p>Special Days</p> <p>July 01 Anniversary of the Chinese Communist Party July 01 International Architecture Day July 07 xiǎo shǔ (Lesser Heat) July 11 World Population Day July 23 dà shǔ (Great Heat)</p>			
	<p>5</p> <p>Aviation Outlook China Ⓜ Shangri-Las Kerry Centre Hotel 5 - 7 July</p>	<p>6</p> <p>Sino Folding Carton Ⓜ Beijing China International Exhibition Center (CIEC) 6 - 8 July</p>	<p>7</p> <p>Taiwan Famous Brands Expo. Ⓜ Meijiang Convention and Exhibition Center 7 - 12 July</p>
<p>11</p>		<p>13</p>	
<p>18</p> <p>Austria Fingerstyle Guitar Duet Ⓜ Tianjin Concert Hall ⌚ 19:30 ¥ 30/50/80/100/120/150 CNY ☎ +86 22 2332 0068</p>	<p>20</p> <p>Chaplin's Movies Jazz Concert Ⓜ Tianjin Concert Hall ⌚ 19:30 ¥ 30/50/80/100/120/150 CNY ☎ +86 22 2332 0068</p>		
<p>25</p>	<p>26</p> <p>Ballet - Swan Lake Ⓜ Tainjin Grand Theatre ⌚ 19:30 ¥ 50/80/100/150/280 CNY ☎ 400-818-3333</p>	<p>27</p> <p>Multimedia Audio-Visual Concert - by American Pianist Leon Ⓜ Tianjin Concert Hall ⌚ 19:30 ¥ 60/100/180/280/380/500 CNY ☎ +86 22 2332 0068</p>	<p>28</p>

AUGUST 2011

一	二	三	四	五	六	日
MON	TUE	WED	THU	FRI	SAT	SUN
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

17

China International Gifts Premium & Houseware Exhibition
 Ⓜ Beijing China International Exhibition Center (CIEC)
 17 - 20 Aug

18

China Industrial Automation & Instruments Exhibiton
 Ⓜ Binhai International Convention & Exhibition Centre
 18 - 21 Aug

TIANJIN & BEIJING EVENTS

FRI	SAT	SUN
	<p>2</p> <p>Binhai Aircraft Carrier 2011 ⤴ Tianjin Binhai International Convention and Exhibition Center</p>	<p>3</p> <p>Jean SIBELIUS & Dvorak's Work Concert ⤴ Tianjin Concert Hall ⌚ 19:30 ¥ 30/50/80/100/120/150 CNY ☎ +86 22 2332 0068</p> <p>Goldin Gold Cup 2011 ⤴ Tianjin Goldin Metropolitan Polo Club</p>
<p>8</p> <p>Piano Trio Concert ⤴ Western Shore Art Salon ⌚ 20:00 ¥ 100 CNY ☎ +86 22 2326 3505</p>		<p>10</p> <p>The Shanghai Philharmonia Orchestra Summer music festival Opening Ceremony ⤴ Tianjin Concert Hall ⌚ 19:30 ¥ 100/120/150 CNY ☎ +86 22 2332 0068</p>
<p>15</p> <p>Beijing International Jewellery Fair ⤴ China World Trade Center(CWTC) 15 - 18 July</p>		
<p>22</p> <p>Classical works String Quartet Concert ⤴ Western Shore Art Salon ⌚ 20:00 ¥ 100 CNY ☎ +86 22 2326 3505</p>	<p>23</p> <p>Lecture:From Elvis to Madonna - My 30 Rock Experience ⤴ Tianjin Concert Hall ⌚ 10:00 ¥ 10/20/30 CNY ☎ +86 22 2332 0068</p>	
<p>29</p> <p>Piano,violin & cello Trio Concert ⤴ Western Shore Art Salon ⌚ 20:00 ¥ 100 CNY ☎ +86 22 2326 3505</p>		<p>31</p>

TIANJIN & BEIJING EVENTS

<p>23</p> <p>Beijing Green Food & Organic Food Expo ⤴ Beijing China International Exhibition Center (CIEC) 23 - 25 Aug</p>		<p>24</p> <p>Hotelex Beijing ⤴ China National Convention Center(CNCC) 24 - 26 Aug</p> 
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Selected DOMESTIC FLIGHTS

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(1=Mon, 2=Tue, 3=Wed, 4=Thu, 5=Fri, 6=Sat, 7=Sun)

From Tianjin

DEST	DEP	ARR	Flight No	Days
Changchun	10:55	12:35	GS6571	1234567
Changsha	09:10	11:25	CA1467	1234567
Chengdu	13:00	15:30	8L9976	1234567
Chifeng	14:10	15:15	MU2135	1.3.5.7
Chongqing	11:55	14:25	PN6238	1234567
Dalian	11:10	12:00	GS7579	1234567
Fuzhou	07:55	11:55	MF8138	1234567
Guangzhou	13:50	17:00	HU7201	1234567
Guiyang	08:10	12:30	GS7465	1234567
Haikou	09:10	14:05	GS7561	1234567
Hangzhou	13:15	15:00	MF8377	1234567
Harbin	16:00	17:55	CZ3125	1...5..
Hefei	15:20	16:50	GS7463	1.3.5.7
Huhot	14:00	15:15	GS7468	1234567
Kunming	15:40	18:55	CA1401	1234567
Nanjing	15:00	16:35	FM9291	1234567
Nanning	13:15	18:15	MF8377	1234567
Ningbo	13:10	15:10	GS6603	1234567
Qingdao	08:35	09:35	GS7575	1234567
Sanya	15:00	18:50	CA1389	1234.67
	09:00	10:45	FM9134	1234567
	08:00	09:55	CA1533	123456.
Shanghai	11:55	13:50	MU5150	1234567
	15:25	17:15	GS7207	1234567
	18:00	20:05	MU2084	1234567
Shenyang	11:30	12:45	3U8861	.2.4.6.
	16:35	19:40	ZH9936	1234567
Shenzhen	12:45	15:40	CA3654	.23.5.7
	16:35	19:40	ZH9936	1234567
Taiyuan	11:05	12:30	GS6601	1234567
Urumqi	16:00	21:50	CZ6928	1..4.6.
Wuhan	08:00	09:45	GS6695	1234567
Xiamen	14:30	17:05	MF855	1234567
Xi'an	08:10	09:55	GS7465	1234567
Yantai	08:20	09:20	GS7421	1234567
Yinchuan	09:20	11:05	CZ6457	.2345.7
Yuncheng	09:00	10:25	GS6677	1234567
Zhengzhou	12:10	13:30	HU6609	1234567

To Tianjin

ORIGIN	DEP	ARR	Flights No	Days
Changchun	13:15	15:05	GS6572	1234567
Changsha	18:20	20:15	CA1468	1.34.67
Chengdu	09:40	12:10	8L9975	1234567
Chifeng	15:55	17:05	MU2136	1.3.5.7
Chongqing	08:55	11:15	PN6237	1234567
Dalian	20:10	21:05	GS7580	1234567
Fuzhou	08:30	12:25	MF8137	1234567
Guangzhou	08:05	11:00	CZ3133	1234567
Guiyang	13:10	17:25	GS7466	1234567
Haikou	14:55	19:25	GS7562	1234567
Hangzhou	21:55	23:55	MF8378	1234567
Harbin	18:45	20:45	CZ3126	1...5..
Hefei	20:10	21:40	GS7464	1.3.5.7
Huhot	09:00	10:10	GS7467	1234567
Kunming	07:40	12:10	8L9975	1234567
Nanjing	22:55	00:45(+1)	FM9292	1234567
Nanning	19:05	23:55	MF8378	1234567
Ningbo	16:00	18:05	GS6604	1234567
Qingdao	10:40	11:40	GS7576	1234567
Sanya	19:50	23:20	CA1390	1234567
	12:10	14:10	FM9133	123456.
	20:40	22:40	CA1528	1234567
Shanghai	09:10	11:05	MU5149	1234567
	10:55	12:50	GS7206	1234567
	11:10	13:20	MU2083	1234567
Shenyang	13:35	14:55	3U8862	.2.4.6.
	12:25	15:40	ZH9935	1234567
Shenzhen	08:45	11:50	CA3653	.23.5.7
	18:35	21:45	MF8380	1234567
Taiyuan	15:55	17:00	GS6602	1234567
Urumqi	09:20	15:05	CZ6927	1..4.6.
Wuhan	20:10	22:00	GS6696	1234567
Xiamen	13:45	16:15	MF856	1234567
Xi'an	15:50	17:25	GS7466	1234567
Yantai	19:20	20:20	GS7422	1234567
Yinchuan	11:55	13:25	CZ6458	.2345.7
Yuncheng	15:20	16:40	GS6678	1234567
Zhengzhou	19:20	21:00	HU6463	1234567

Airline Code

3U Sichuan Airlines	FM Shanghai Airlines	MF Xiamen Airlines	VD Kunpeng Airlines
8L Lucky Air	GS Grand China	MU China Eastern Airlines	ZH Shenzhen Airlines
BK Okay Airways	HO Juneyao Airlines	NS Northeast Airlines	
CA Air China	HU Hainan Airlines	PN West Air	
CZ China Southern Airlines	JD Deer Air	SC Shangdong Airlines	



Selected INTERNATIONAL FLIGHTS

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(1=Mon, 2=Tue, 3=Wed, 4=Thu, 5=Fri, 6=Sat, 7=Sun)

From Beijing

DEST	DEP	ARR	Flight No	Days
Addis Ababa	22:30	06:00(+1)	ET605	1234567
Amsterdam	11:55	15:10	KL0898	1234567
Bangkok	17:05	21:15	TG615	1234567
Brussels	01:20	05:55	HU491	.2.4.67
Delhi	20:50	01:40(+1)	CA947	1.3..6.
Dubai	23:55	04:20(+1)	EK307	1234567
Frankfurt	10:30	14:40	LH721	1234567
Hanoi	15:45	18:20	VN901	.23.5.7
Helsinki	10:55	14:25	AY052	1234567
Hong Kong	10:00	13:35	CX347	1234567
Istanbul	23:55	05:25(+1)	TK021	1234567
Kuala Lumpur	16:25	22:40	CA971	1.3.56.
London	11:15	15:00	BA038	1234567
Los Angeles	21:00	18:00	CA983	1234567
Madrid	00:05	06:35	CA907	.234.67
New York	13:00	14:20	CA981	1234567
Osaka	00:00	00:00	JL886	1234567
Paris	13:40	17:35	AF125	1234567
San Francisco	16:00	00:40(+1)	CA985	1234567
Seoul*	11:45 14:00 21:20	14:40 17:00 00:15(+1)	KE852 KE856 KE854	1234567 1.3.5.7 1234567
Singapore	00:10	06:20	SQ801	1234567
Sydney	16:50	07:50(+1)	CA173	1.345..
Tel Aviv	22:00	03:55(+1)	LY096	.2.4..7
Tokyo	16:40	21:00	JL024	1234567
Ulaanbaatar	08:35	10:50	CA901	1234567
Vancouver	15:50	11:50	CA991	1234567

To Beijing

ORIGIN	DEP	ARR	Flight No	Days
Addis Ababa	00:05	15:30	ET604	1234567
Amsterdam	17:35	09:55(+1)	KL0897	1234567
Bangkok	10:10	15:50	TG614	1234567
Brussels	13:50	05:40(+1)	HU492	.2.4.67
Delhi	03:15	11:45	CA948	.2.4..7
Dubai	04:10	15:10	EK306	1234567
Frankfurt	17:15	09:30(+1)	LH720	1234567
Hanoi	10:10	14:45	VN900	.23.567
Helsinki	18:05	06:55(+1)	AY051	1234567
Hong Kong	17:00	20:20	CX312	1234567
Istanbul	23:45	14:00(+1)	TK020	1234567
Kuala Lumpur	23:40	06:00(+1)	CA972	1.3.56.
London	16:45	09:30(+1)	BA039	1234567
Los Angeles	01:40	05:20	CA984	1234567
Madrid	11:25	05:10(+1)	CA908	123.56.
New York	16:50	18:20(+1)	CA982	1234567
Osaka	09:45	12:20	JL885	1234567
Paris	18:55	11:45(+1)	AF126	1234567
San Francisco	14:50	17:55(+1)	CA986	1234567
Seoul*	09:15 11:40 19:00	10:25 12:50 20:10	KE851 KE855 KE853	1234567 1.3.5.7 1234567
Singapore	08:45	14:50	SQ802	1234567
Sydney	20:00	05:50(+1)	CA174	.2.456.
Tel Aviv	22:55	13:30(+1)	LY095	1.3..6.
Tokyo	09:35	12:20	JL023	1234567
Ulaanbaatar	11:50	14:00	CA902	1234567
Vancouver	13:50	16:15(+1)	CA992	1234567

From Tianjin

DEST	DEP	ARR	Flight No	Days
Hong Kong	08:35	12:00	KA1103	1234567
Seoul*	11:10 15:20	14:00 18:05	KE806 KE864	1234567 .234567
Nagoya	14:00	17:45	JL840	1234567
Kuala Lumpur	15:50	22:15	D7 2613	1.3.567

To Tianjin

ORIGIN	DEP	ARR	Flight No	Days
Hong Kong	12:50	16:00	KA1104	1234567
Seoul*	09:20 15:20	10:10 18:05	KE805 KE863	1234567 .234567
Nagoya	10:30	12:40	JL841	1234567
Kuala Lumpur	08:30	14:35	D7 2612	1.3.567



* Flights from Beijing/Tianjin to Seoul, from Seoul to Beijing/Tianjin provided by Korean Air. Schedules are subject to government approval and may be changed without prior notice.

Airline Code

AC Air Canada	EK Emirates	LH Lufthansa	SQ Singapore Airlines
AF Air France	ET Ethiopian Airlines	LY El Al Airlines	SU Aeroflot Airlines
AY Finnair	EY Etihad Airways	MS Egypt Airlines	TG Thai Airways International
BA British Airways	HU Hainan Airlines	NH All Nippon Airways	UL Sri Lanka Airlines
CA Air China	JL Japan Airlines	NZ Air New Zealand	VN Vietnam Airlines
CX Cathay Pacific	KA Dragon Air	QF Qantas Airways	
CZ China Southern Airlines	KE Korean Air	QR Qatar Airways	
D7 Air Asia	KL KLM-Royal Dutch Airlines	SK Scandinavian Airlines	

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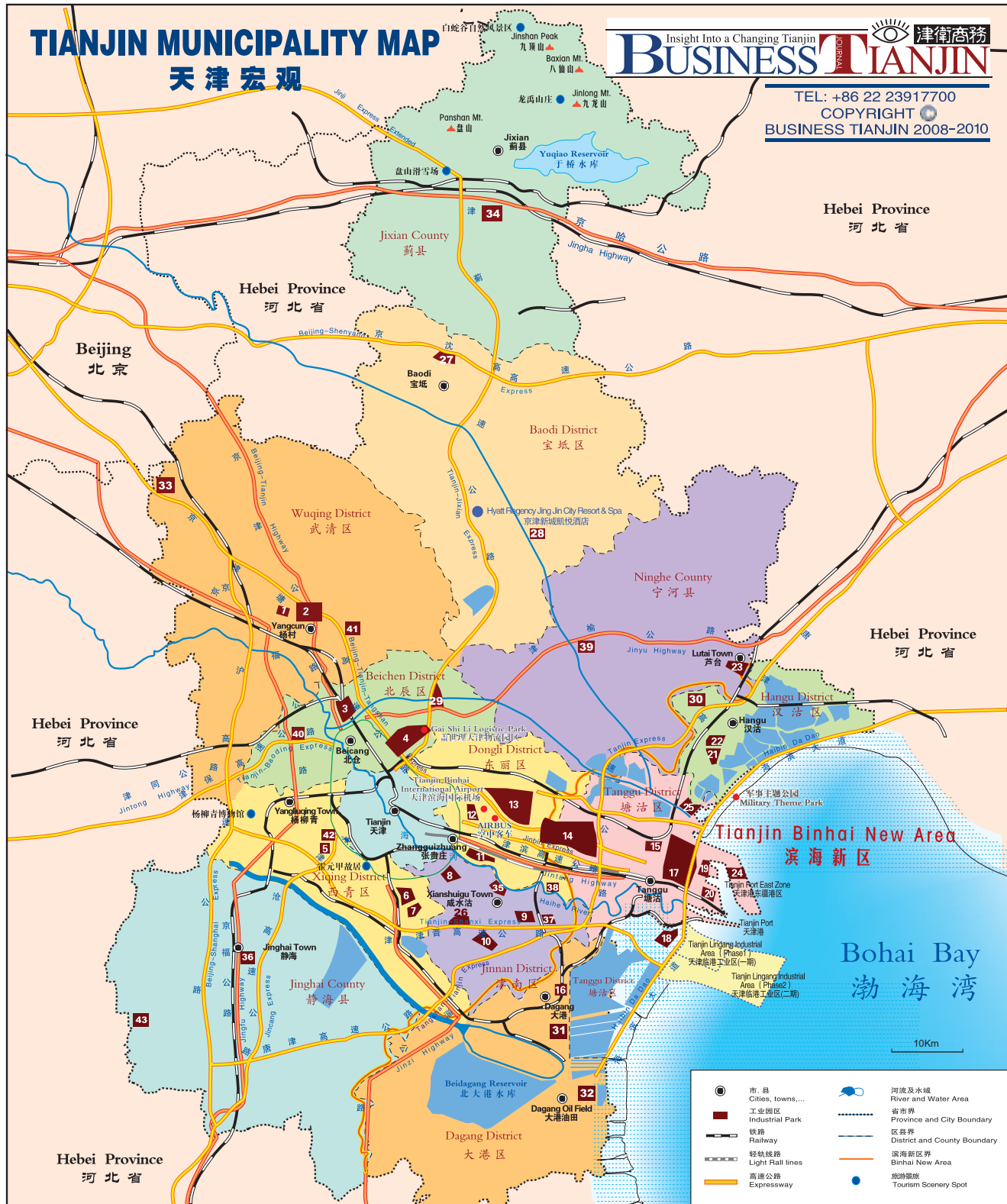
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Tianjin Industrial Parks & Economic Development Areas

TIANJIN MUNICIPALITY MAP 天津宏观

Insight Into a Changing Tianjin
BUSINESS TIANJIN

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List of Tianjin Industrial Parks & Economic Development Areas

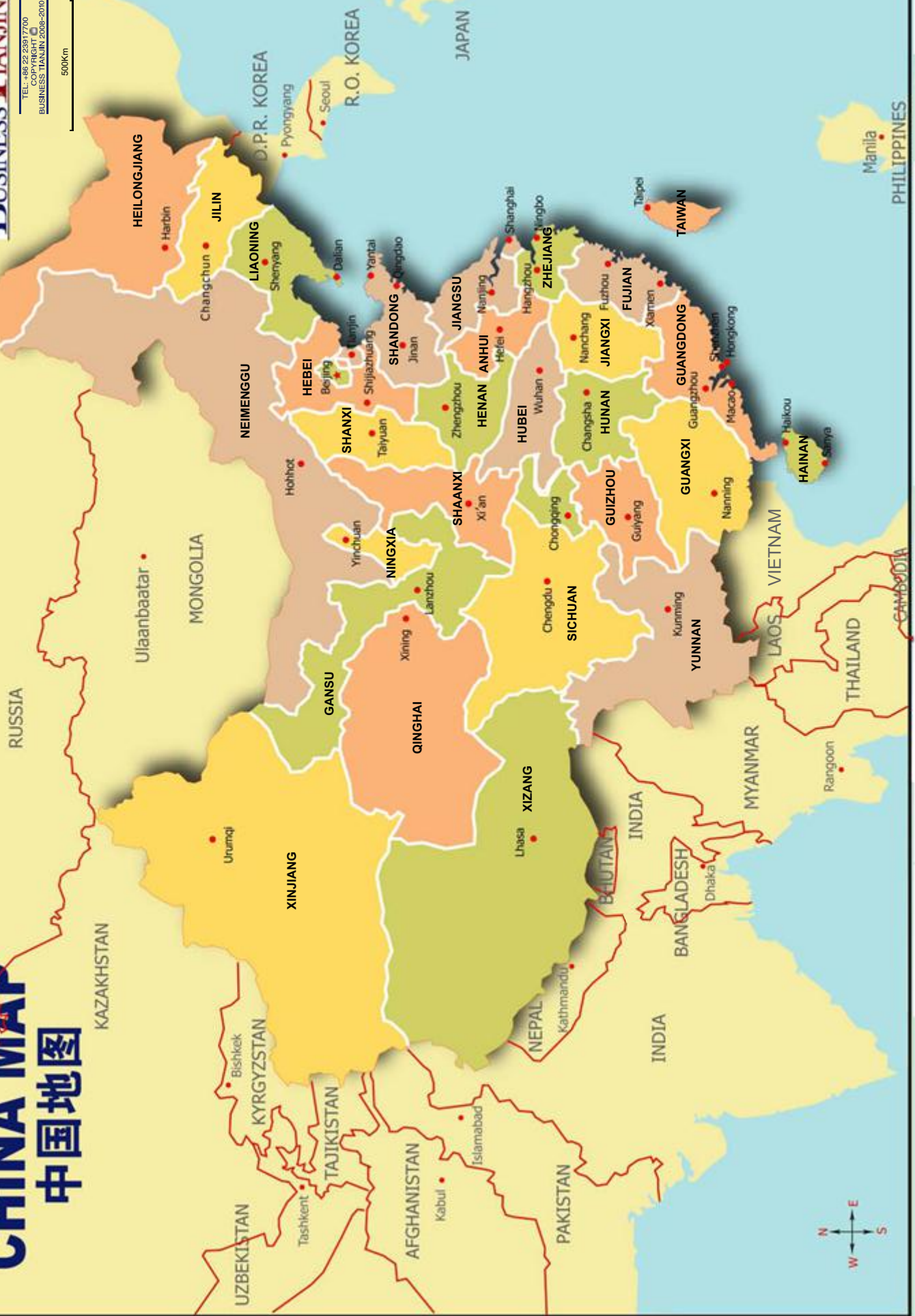
- | | | | |
|--|---|--|--|
| 1 TEDA Yat-Sen Scientific-Industrial Park
TEDA逸仙科学工业园 | 10 TEDA (Jinnan) Microelectronic Industrial Park
TEDA微电子(津南)工业区 | 19 Tianjin Port Container Logistics Center
天津港集装箱物流中心 | 28 Tianjin Baodi Jiuyuan Industrial Park
天津宝坻九园工业园区 |
| 2 Wujing Development Area
武清开发区 | 11 Dongli Economic Development Area
东丽经济开发区 | 20 Tianjin Port Free Trade Zone
天津保税区 | 29 Tianjin Beichen Economic Development Area
天津北辰经济开发区 |
| 3 Beichen Hi-Tech Industrial Park (North)
北辰科技园(北区) | 12 Tianjin Airport International Logistics Zone
天津空港国际物流区 | 21 TEDA Chemical Industrial Park
TEDA化学工业区 | 30 Tianjin Jinnan Chadian Industrial Park
天津津南鑫达工业园区 |
| 4 Beichen Hi-Tech Industrial Park (South)
北辰科技园(南区) | 13 Tianjin Airport Industrial Park
天津空港物流加工区 | 22 Hangu Chemical Industrial Park
汉沽化学工业园区 | 31 Tianjin Dagang Economic Development Area
天津大港经济开发区 |
| 5 Tianjin Hi-Tech Industrial Park
Huayuan Industrial Development Area
天津新技术产业园区华苑产业区 | 14 TEDA West
天津经济技术开发区(西区) | 23 Ninghe Economic Development Area
宁河经济开发区 | 32 Tianjin Dagang Petrochemical Industrial Area
天津大港石化产业园区 |
| 6 Xiqing Development Area
西青开发区 | 15 Dagang Development Area
大港开发区 | 24 Dongjiang Duty-Free Port Area
天津东疆保税港区 | 33 Tianjin Wujing Dawangou Economic Development Area
天津武清大王古经济开发区 |
| 7 TEDA (Xiqing) Microelectronic Industrial Park
TEDA微电子(西青)工业区 | 16 Tanggu National Marine Hi-Tech Development Area
塘沽国家海洋新技术开发区 | 25 Sino-Singapore Eco-City
中新生态城 | 34 Tianjin Ji County Economic Development Area
天津蓟县经济开发区 |
| 8 Jinnan Economic Development Area (West)
天津市津南经济开发区(西区) | 17 Tianjin Economic-Technological Develop. Area (TEDA)
天津经济技术开发区 | 26 Tianjin Balitai Industrial Park
天津八里台工业园区 | 35 Tianjin Jinnan Xinda Industrial Park
天津津南鑫达工业园区 |
| 9 Jinnan Economic Development Area (East)
天津市津南经济开发区(东区) | 18 Tianjin Port Bulk Cargo Logistics Center
天津港散货物流中心 | 27 Tianjin Baodi Economic Development Area
天津宝坻经济开发区 | 36 Tianjin Jinghai Economic Development Area
天津静海经济开发区 |
| | | | 37 Tianjin Jinnan Economic Development Area
天津津南经济开发区 |
| | | | 38 Tianjin Junliangcheng Industrial Park
天津军粮城工业园区 |
| | | | 39 Tianjin Panzhuang Industrial Park
天津潘庄工业园区 |
| | | | 40 Tianjin Shuangkou Industrial Park
天津双口工业园区 |
| | | | 41 Tianjin Wujing Fuyuan Economic Development Area
天津武清福源经济开发区 |
| | | | 42 Tianjin Zhongbei Industrial Park
天津中北工业园区 |
| | | | 43 Tianjin Ziya Industrial Park
天津子牙工业园区 |

CHINA MAP 中国地图

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Review – Capitalism 4.0

By Mike Cormack

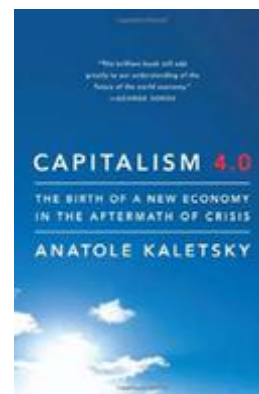
Anatole Kaletsky's *Capitalism 4.0* is a timely publication, coming during what is plainly a transitional period in the workings of international finance and business – in a word, capitalism. Kaletsky, the economics correspondent for the Times of London, is a highly regarded journalist and author, and here analyses the previous modalities of capitalism, their various crises and their subsequent periods of growth and optimism, and gives a high-detail examination of the financial crisis of 2008 onwards, with considerable blame laid at Hank Paulson, the then-US Treasury Secretary.

Kaletsky examines the three previous crises of capitalism (the Great Depression of the 1930s, the stagflation of the 1970s, and the sub-prime debt crisis of 2008), and shows their roots and eventual transitions to more efficient eras. He also makes some predictions for what the next era (the Capitalism 4.0 of the book's title) will look like. The rise of China is perhaps reflected in his belief that this new stage will not be market-fundamentalist but will be a pick-and-mix, including state support as and when required. The distinguishing feature, he contends, will be a pragmatic use of whatever instruments are available, as the distinction between developed and developing economies blurs.

Despite the iconoclastic verve of the analysis, and the pleasing vigour of the prose, one does rather come away feeling that Kaletsky has an almost naively Panglossian (“all is for the best in the best of all possible worlds”) outlook. His argument that economic crises will resolve themselves through man's ingenuity and creativity might be a refreshing counterbalance to the doom-mongering commonly seen in financial commentary, but it seems more an article of faith than a persuasive analysis.

In fact, Kaletsky's supposition that capitalism always works out for the best is dangerously close to the idea that markets are naturally self-regulatory and will always bring about the best outcomes. This latter supposition was surely exploded during the 2008 financial crisis, when it turned out that the markets had no idea of the true value of the collateralised debt obligations which packaged and traded sub-prime mortgage debt. Alan Greenspan, addressing Congress in October 2008, admitted that his belief that markets were always self-correcting was the major flaw of his chairmanship of the Federal Reserve. Kaletsky also doesn't seem to notice, or makes no comment upon, the increasing frequency of financial shocks – a tendency that Marx predicted and which seems confirmed by events. Nonetheless, this is a fascinating, enjoyable book written with élan and wit.

If you want to purchase this book, please send an email to BOOKS@INTERMEDIACHINA.COM, we will deliver the book to your door.



Language: English
Hardcover: 448 pages
Price: 250 CNY + Shipping

QUOTATIONS OF THE MONTH

We want to live by each other's happiness, not by each other's misery. - Charlie Chaplin

In the end, we will remember not the words of our enemies, but the silence of our friends. - Martin Luther King Jr

Not to mourn for the past, nor to worry about the future, but to live the present moment wisely and earnestly.
-Shakyamuni

Always acknowledge a fault. This will throw those in authority off their guard and give you an opportunity to commit more. - Mark Twain

Watch The Numbers

By Mike Cormack

The issue of corporate auditing has been much debated amongst China business watchers this month. It might sound a dull topic, but it gets to the heart of corporate governance and investor confidence. If you can't be sure that a company is correctly audited – in other words, if you can't be confident that its financial statements are true – then this is damaging not only to the company in question but also to stock market confidence. No one wants to find out they've invested in the latest equivalent of Enron or WorldCom.

Also, auditors live and die by their reputation. The big four accountancy firms (Ernst & Young, Deloitte, PricewaterhouseCoopers and KPMG) are watermarks of value: having your accounts audited by them builds confidence and is helpful in getting a positive share-offering, should you want one (and it seems many Chinese internet companies do). Should it transpire that the accounts are in some way incorrect or even fraudulent, confidence in the auditor will also crumble. When Enron collapsed in 2001 and it was found that auditors from Arthur Anderson had colluded in the fraud, the entire accountancy firm dissolved; its reputation was almost instantly destroyed.

In May, Deloitte resigned from its position as auditor for Longtop, a Beijing-based financial technologies corporation, saying that it was no longer able to vouch for the veracity of the accounts. This scandal was

barely reported in the Chinese media, though it featured more heavily in the New York Times and the Wall Street Journal. The resignation letter was stunning. It is couched in the usual business terms, but cold fury is rarely more apparent:

The process for auditing the Company's financial statements... identified a number of very serious defects including: statements by bank staff that their bank had no record of certain transactions; confirmation replies previously received were said to be false; significant differences in deposit balances reported by the bank staff compared with the amounts identified in previously received confirmations (and in the books and records of the Group); and significant bank borrowings reported by bank staff not identified in previously received confirmations (and not recorded in the books and records of the Group)...

The [second] confirmation process was stopped amid serious and troubling new developments including: calls to banks by the Company asserting that Deloitte was not their auditor; seizure by the Company's staff of second round bank confirmation documentation on bank premises; threats to stop our staff leaving the Company premises unless they allowed the Company to retain our audit files then on the premises; and then seizure by the Company of certain of our working papers...

Then on 20 May the Chairman of the Company, Mr. Jia Xiao Gong called our Eastern Region Managing Partner, Mr. Paul Sin, and informed him that "there were fake revenue in the past so there were fake cash recorded on the books". Mr. Jia did not answer when questioned as to the extent and duration of the discrepancies. When asked who was involved, Mr. Jia answered: "senior management".



The letter suggests two further points: first, Deloitte took the financial statements Longtop provided at face value, without investigating their veracity; second, the banks appear to have been complicit with Longtop's fraud, willing to provide false accounts and statements.

The implications of this cannot be overstated. Deloitte has at least proved that it was not complicit with Longtop, but it does suggest a certain laxity in auditing standards. One would imagine that Big Four auditors for Chinese companies are currently working overtime, double-checking all financial statements to ensure nothing similar has been going on. But most importantly, it demonstrates the scale of risk for investors in Chinese companies. How can they know who to trust, if this kind of fraud is possible?

In an environment where growth is the only thing that matters, it's almost inevitable that some companies will resort to illicit methods. What can investors do to ensure they are going into solid, firmly established companies, not houses of cards that fall apart at the slightest trouble?

Dan Harris at the China Law Blog gives a six-point schema to help you sniff out unsavoury practices. (The list, of course, is neither definitive nor foolproof. Greed has a funny way of blinding people from the obvious.)

- **Approach the company as a potential customer does.** Would you shop there? How do other companies treat it?
- **Take all company-provided introductions with a grain of salt.** They'll of course set things up to look nice. Try to look beyond the facade.
- **Try to construct your own fraud scenario.** If you were them, trying to con you, how would you do it?
- **Forget about the paper.** Documents are the easiest thing to fake. Relations and activity are much harder – try to see them as they truly are.
- **Always speak with competitors.** Do they consider the company a rival? If not, there must be a good reason why.
- **Do not delegate.** Do the work yourself. It's your money.

The fallout from Longtop remains to be seen. Either way, it's a reminder that the business environment in China remains risk-laden, even in apparently established concerns. There are undoubtedly great investment opportunities here, but finding them takes skill and fortitude, while there are a million ways to lose your money. That's Chinatown. ■





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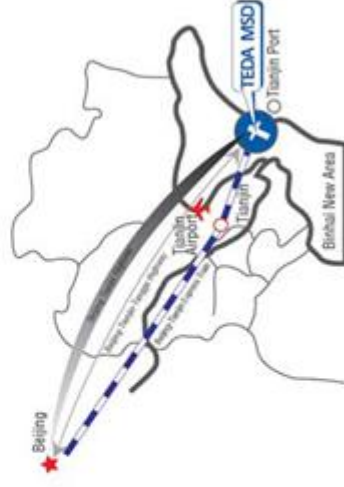
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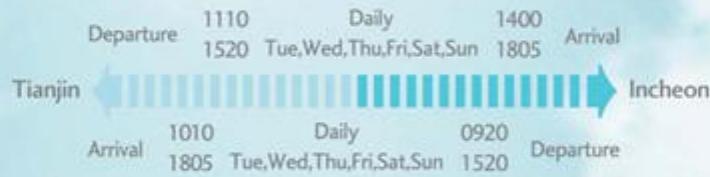
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