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# UNDERSTANDING CHINA

**China Business and Industrial News and Views**



**International  
Real Estate  
Institute**





## ***International Real Estate Institute***

# **Code of Professional Ethics**

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*The purpose of this code is to establish clear and ethical parameters for the members of the International Real Estate Institute. Should a member violate these codes or standards of professionalism, their designation may be revoked for a period of time, and/or they may be expelled from the Association.*

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- 1** Members of the Institute must conduct themselves in a professional manner at all times.
- 2** Members must respect the professional reputation of other Institute members.
- 3** Members of the Institute must strive to maintain a public awareness that the Institute Members treat all assignments or projects fairly and impartially.
- 4** Members must strive to maintain and improve Professional Standards and be willing to assist the Institute to that end.
- 5** Members must respect a Confidential Relationship with other Institute members.
- 6** Members of the Institute must accept only those projects or assignments for which he/she has the ability to perform in a competent and professional manner.
- 7** Members of the Institute must not accept projects or assignments which involve a conflict of interest.
- 8** Members of the Institute must not engage in any practice which is in violation of the law of the land.

# PHENOMENA

## Economic boom to last beyond 2030

Economic analysts believe that the economic boom in China will last well beyond the year 2030. Two main reasons are:

- China's economic growth for the past 40 years averages 9% a year. The open policy of the 80s and 90s can only speed up the growth.

- The next 20 years will be a period for serious industrialization for China. The development for various industries will transform traditional farmlands into factories and cities and up to 80% of the 900 million farmers into workers and city dwellers. That alone will provide more than enough impetus for further economic growth.

The economic growth in the mainland will be between 7 to 10%, according to analysts. The current 13 to 14% is exceptional and will not last for a long period of time without causing overheating of economy and subsequent inflation.



## Country with the most influx of foreign capital

A total of US\$27,000 million last year makes China the country with the most influx of foreign capital, according to World Bank. It is also the developing country with the most commercial bank lending and direct investment from abroad.

Last year was a remarkable year for foreign investment in that:

- Lots of well-known international companies, many of them are top 500 companies in the world, set up their operations in China. Industries involved include

private cars, escalators, color monitors, program-controlled exchanges, optical fiber, ...etc.

- Some of these companies will go so far as to relocate their Pan-Pacific or regional headquarters into China. Investment tends to be long-term and less profit-oriented for the building up period.

- Foreign investment switches from raw material processing for export to diversified manufacturing. More foreign companies are now involved in infrastructure,

transport, energy, agriculture, and tertiary industries such as finance, accounting, property, insurance, foreign trade, consultancy and information.

- Investment moves from coastal areas into mainland, which now absorbs more than 20% of foreign investment, up from the used-to-be 7 to 8%.

- Taiwan becomes the third biggest investor China, only next to the U.S. and Hong Kong-Macau.

## Closer ties with Latin America

The total trade volume between China and Latin America hit US\$1,134 million in the first five months of 1993, 14.4% more compared to the same period the year before.



Of the total value, China exported US\$486 million worth of goods and imported US\$648 million likewise from the region.

The trade between China and Brazil grows faster than the rest. For the first half year of 1993, the export to and import from Brazil increased, respectively, by a

stunning 248% and 160%.

Panama, Venezuela, Argentina and Chile also emerged as active trading partners.

### **Auto industry faces new challenges**

China will come up with new policies governing the

## **POLICIES**



automotive industry.

The new policies will govern the industry for seven years. The anxious auto industry is anticipating major changes and investors are holding high expectations in the new opportunities that the policies will generate.

Sources from the industry suggested that the power to compete of future manufacturers will depend on their ability to cope with market forces. A senior official with the State Planning Commission said that under the new policies, the government will let inefficient enterprises wither in the face of competition.

Senior government officials in another occasion have sketched out the following outlines of the new policies:

- The government will not authorize new manufacturing projects because too many plants now assemble small numbers of low-quality vehicles.
- Government support is to be concentrated on large manufacturing plants such as the No. 1 Automobile Works in Changchun of Jilin Province; a joint venture in Wuhan between the Dongfeng Group and the French

car maker Peugeot SA; and the Shanghai Volkswagen, a joint venture.

- The government will not approve new projects that assemble motor vehicle with imported CKD (complete knock down) components. This means government support will go to existing auto makers that develop new cars by themselves or co-operatively with foreign designers.

- The government must have a dominant position in the highly lucrative automotive industry. Last year, 1.3 million motor vehicles were produced,

compared with 1.08 million in 1992. Sales in 1993 were US\$13.22 billion, a big rise from 1992.

- Auto makers should develop and manufacture small cars that ordinary people can afford. The average urban worker in China earns about 400yuan (US\$46) a month while monthly income in rural areas stands at 77.5 yuan (US\$9).

The country has 1.17 billion people but only 8.3 million motor vehicles. As the economy continues to grow, more ordinary people will be demanding cars. This trend has catalysed the number of driving schools in Beijing to 200 compared to only 10 a few years ago.

### **Extra funds for 35 targeted hi-tech industries**

The State Commissions for State Planning, Science and Technology, the Economic and Trade have jointly singled out 35 technology industries in seven fields as the key link for applying research to economic development.

These industries will receive increased government

funding and scientific aid.

Targeted fields and technologies include:

- Agriculture

Applying technology to improve crop breeding and productivity yield.

- Energy and environment

Nuclear, oil extraction and coal industries.

- Transport

High-speed railway and expressway system, and inland water transport.

- Raw materials and resources

Iron-smelting, refined chemical products and engineering plastics.

- Information and communication

Integrated circuits, computers, software, electronics, and fiber-optics communication.

- Manufacturing

Digital-control, laser and the manufacturing of equipment used in large-scale thermal power.

- Biotechnology

## Foreign banks to benefit from new reforms

China has issued new regulations for foreign banks and financial institutions. It also sets out conditions under which foreign financial institutions can operate yuan business. The new rules - known as the Regulations

Governing Foreign Financial Institutions in China - will be applicable to both foreign bank branches in China and sino-foreign financial joint ventures.

Experts believe the new rules will rationalize and liberalize foreign banks and financial institutions. In effect it will enable more foreign banks to open new branches in China. This will be especially true for

Shanghai and Shenzhen, the two cities with the most foreign banks and institutes.

The People's Bank of China (PBOC) will be the authoritative body responsible for the interpretations and regulation of the new rules.

In the new rules, the lending and saving rates and service charge level will be set by the PBOC. Foreign banks will be required to place a non-interest-bearing deposit reserve with respective PBOC's regional offices. The ratio will be decided by the PBOC.

Foreign banks and joint-venture banks would need a minimum capital requirement of 300 million yuan while sino-foreign financial institutions would need 200 million yuan.

Thirty percent of foreign banks' working capital have to be kept in assets as set by the PBOC.

Other key points:

- Total assets of foreign operations including joint ventures cannot exceed 20 times the sum of its paid-up capital and reserves.

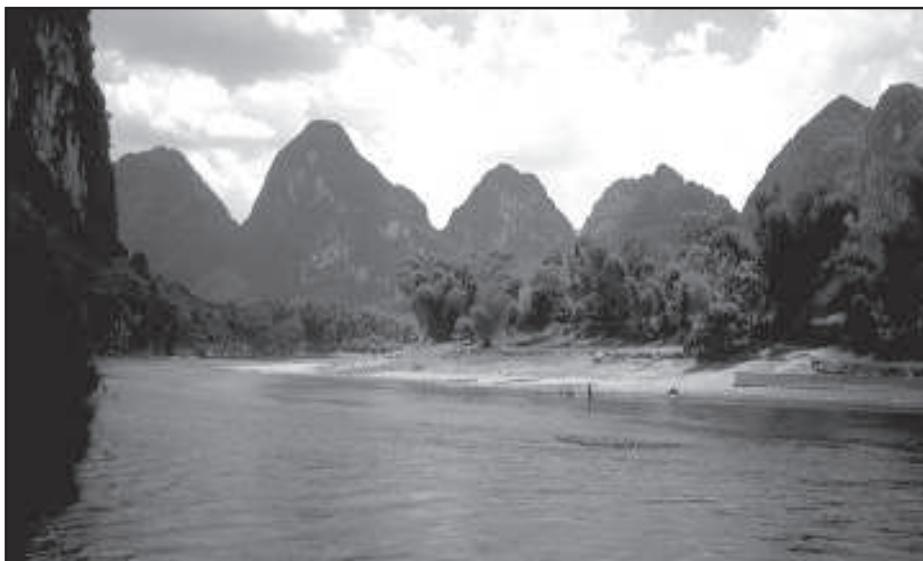
- Any lending or investment by a foreign operation cannot exceed 30 percent of the sum of its paid-up capital and reserves.

- The fixed assets of foreign operations cannot exceed 40 percent of the paid-up capital and reserves sum.

- Foreign operations have to maintain high liquid assets, as defined by the PBOC.

- Total deposits of foreign operations cannot exceed 40 percent of total assets.





- Bad and doubtful debt provisions should be calculated according to prescribed rules.

- At least one Chinese citizen must be employed in senior management in foreign operation.

- Foreign operations are required to employ China-certified accountants approved by regional PBOC offices.

### **First trade law will open more doors**

The first comprehensive foreign trade law by China will expose more enterprises to foreign trade rights under the macroeconomic control of the State.

It is believe that differences between local and central government trade practices have made life difficult for potential investors. The trade law is designed to provide clearer trade structure for investors to follow and to integrate trade with international practices.

The new law will also open the way for more companies and scientific institutions to foreign trade right. It is uncertain whether the new law will provide a consolidated “national treatment” to foreign investors. The treatment, as define by GATT, requires all enterprises operating in China to be subjected to the same policies.

### **Privatization to rejuvenate small firms**

Major reforms are being carried out by the northern

province of Heilongjiang. The province is to privatize 3,000 small state-owned enterprises.

The reform is to take the form of a two-year plan designed to rejuvenate the province’s aging traditional heavy industrial base. The reform is targeted at small enterprises with 400 to 500 workers and have fixed assets of about seven to eight million yuan.

Reform options include turning enterprises into joint stock companies which would be owned by and managed by employees.

Enterprises could also be leased to investors who would run the operations autonomously. Another option is to sell off the enterprises to overseas or local buyers.

According to Yang Weiling, vice-director of the Heilongjiang Commission for Restructuring Economic System, by the end of the two-year period local government will have completely withdrawn from its role in small enterprises. Yang is confident that the bold move will help enterprises become more efficient and competitive.

### **State curbs cosmetics proliferation**

The cosmetic industry has been listed by the State Planning Commission as one of the 10 industries that should have restricted investment.

One reason for the restriction is the increasing number of cosmetic companies producing a substantial amount of unwanted products. It is estimated that there are 1,600 hair cosmetic and over 1,200 skin cosmetic manufacturers in China producing nearly 1,000 cosmetic products of which only half have brisk sales.

An official with the China Cosmetic Industry Association explained that tax reform will eliminate favorable tax policies for joint ventures, which should curb the numbers. He stressed that China still welcomes foreign cosmetic companies bringing in foreign funds, technology and equipment that will continue to speed up the development of the industry.

The current favorable tax policy, which allows for the sale of duty-free products for the first three years of a new joint venture, makes joint ventures’ products more



competitive than domestic products.

China has more than 100 cosmetics joint-ventures, mostly in coastal areas like Shanghai and Guangdong and Zhejiang provinces.

Joint venture products, with domestic resources and foreign advanced technology, have become the standard choice of many consumers. There is a wide variety of cosmetics available with different quality and price. Some are sold as cheaply as 2 or 3 yuan (23 to 46 cents), compared with 15 yuan (\$1.72) for a jar of Pond's facial cream.

In 1992, cosmetic sales reached 8 billion yuan, (US\$919 million), compared with 200 million yuan (US\$23 million) 10 years ago. In the last three years, the industry has maintained an average growth rate of 25 percent per year.

## New policies for gold

China has recently announced new policies for the gold industry.

Under the new policies, the price of gold in China will fluctuate with that of the international market. The gold market will be more competitive and the supply of gold will be regulated according to the demand of the market.

The country will also reveal to the outside world the amount of gold it produces and will allow overseas investors to invest in its gold mines.

It is believed that the new policies will have very positive effects on the industry, which will ride high to become the most important gold market for the future world.

Presently, China takes up one-fourth of the total amount of gold consumed in Asia. Last year, China alone consumed 250 tons of gold, a stark 47% increase than the year before.



## Import duties to be cut

According to the State Council tax rules committee, import duties are to be cut on compressors for air conditioners, photocopying machine parts, and internal threaded copper pipes for air conditioner condensers. The range of cuts is between 10 percent to 33 percent.

## Millionaires in China

Generally speaking, the number of "legitimate" millionaires in China has hit the million mark.

From a survey of the 92 millionaires who have attained to this status through legitimate practices, it shows that only 14 are highly educated. The rest are chiefly up to primary or secondary school level, while 4 are illiterate.

The survey classifies the millionaires in China into various types: venturesome, technical, social, discreet, and individuals who acquire their wealth through illegitimate means.

# OPENINGS

## Guangzhou metro welcomes foreign bids

Foreign companies are invited to bid for the franchise to build, operate and transfer the second phase

of the Guangzhou Metro. The franchise is offered by Guangzhou Metro Corp. The project is estimated to be worth a total of 10 billion yuan (US\$1.13 billion).

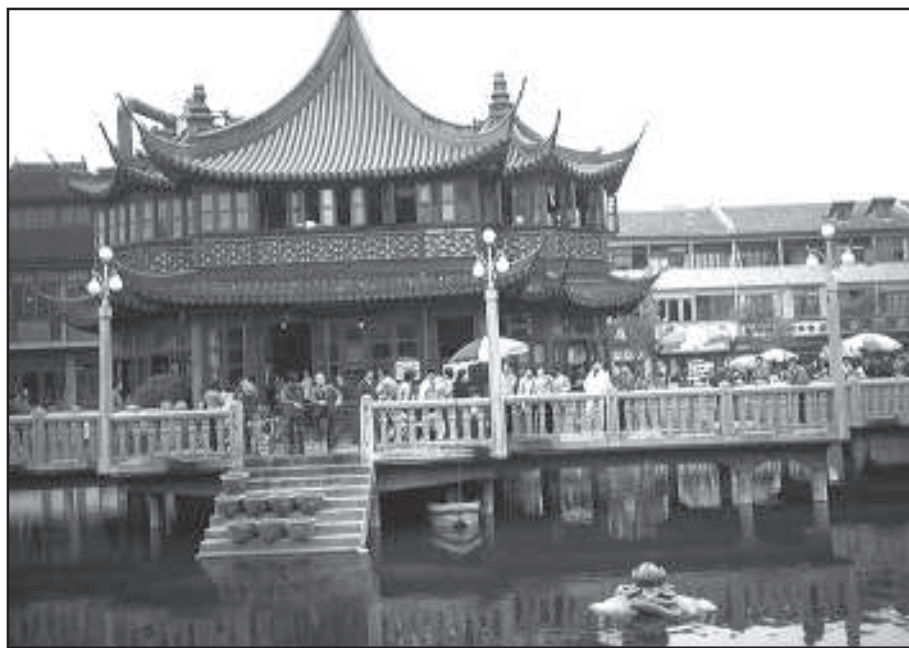
This will be the first time that a heavy rail project in

China will be built with the build, operate and transfer concept. Already in construction is phase one of the underground system, which is entirely funded by the Guangzhou government. Twenty-six kilometers of track with 18 stations is included in the phase one plan.

The urgent transport needs of Guangzhou may lead to phase two of the project being built at the same time as phase one, according to Guangzhou Metro's general manager, Shao Yunping. If such a proposal is ratified, the project will offer even more opportunities for foreign companies.

### **Shanghai: open to more foreign investment**

"Developing new areas for foreign investment" is a working target of the Shanghai municipal government for 1994.



Areas identified so far include:

- Shanghai No.2 Underground Railway, Pudong International Airport, real estate and some other infrastructure construction.
- Foreign investors are encouraged to set up joint ventures to speed up the construction process.
- Companies for foreign trade, which were under strict control previously, are allowed to set up joint ventures with foreign companies on a trial basis.
- Retail enterprises can now set up joint ventures

with foreign chain stores.

•The financial sector will be given more attention in development. The city is to attract overseas financial firms, multi-national companies and world-known enterprises to establish regional headquarters in Shanghai.

### **China to open gold mines**

China is prepared to open some of its gold mines for foreign investment, according to sources close to the State.

These gold mines will be limited to low-graded mines and those which are more difficult to mine. Mines which are under consideration can be found in Yunnan, Guizhou, Sichuan and Guangxi. The first few will be announced soon.

Foreign investors are expected to inject only technology and equipment. Many international gold miners from Canada, Australia, South Africa and the U.S. have showed interest.

### **Beijing infrastructure needs US\$804m boost**

The municipal government of Beijing is looking towards foreign investors for US\$804 million to fund plans to overhaul the city's infrastructure.

Building projects such as highways, subways and power plants are being opened to overseas companies. This year eight major highways are being renovated.

This high spending of an estimated US\$230 million by the municipal government on these plans and the \$804 million from overseas sources has also encouraged other forms of foreign investments into the region.

### **More overseas funds for roads**

Guangdong will take bold steps to attract more foreign capital for various road projects, said Li Peiwu, director



of the Guangdong Communications Bureau, when he revealed details on Guangdong's new road projects.

According to Li, Guangdong will spend US\$1.7 billion on various road projects that will eventually link-up Guangdong with Hong Kong and Macau. The completion of Guangdong's high-speed expressway system will also link most of the province's major cities.

Li said that Peiwu, US\$344 million will come from the State and province, US\$1.1 billion are to be provided by municipal and county while the remaining US\$218 million will come from overseas investor.

Funds will be allocated for the finishing of the Bao'an-Dongguan sector of the Guangzhou-Shenzhen Expressway. Expressways are also planned from Guangzhou-Zhaoqing, Guangzhou to Shangan, Heyuan-Huizhou and Shenzhen-Shantou.

## Railways bid for foreign capital

China's railway system is to expand from its present 53,000 km to 60,000 km by the year 2000. The vice-minister of railways has invited foreign investors to help China achieve such a target.

There are immediate plans to build a high-speed Beijing to Shanghai rail link. Other rail links are also planned to alleviate China's over-stretched passenger rail.

## Railway station features 100sq.m. LED display

A huge outdoor electronic LED display has been installed at the Fushan Railway Station in Guangdong province.

Day and night, this 100-square meter LED display



screens broadcasts news, information commercials and live images to people passing by.

As one of the largest electronics display screens in Southeast Asia, this world-class display system gives very high resolution, full-color dot-matrix display with computer control.

## Electronics industry investment trend

In order to avoid indiscriminate or repetitive introduction of electronics production facilities to China, the government has specified that major investments will be in the following areas:

- Electronic Information Systems:

This includes "Golden Bridge" engineering – national and public economic information network; "Golden Card" engineering – financial control and electronic money network system; and "Golden Gate" engineering – national economic and trade information network. At the same time the country is to provide electronic information systems for the finance, railway, transportation, electricity, petrochemical, observatory, coal mining and national security sectors.

- Software:

The country aims at developing various kinds of application software, supportive software and system software of its own copyright, especially in the area of Chinese character software packages and tools.

- Industrial electronic products:

Emphasis will be put on electric-electronic products, intelligent industrial control products and energy saving industrial electronics products. Efforts will

also be put in the development of electronics for automotive, textile and medical sectors.

•Consumer electronics products:

## INDUSTRIES

The country will encourage the use of personal computers and facsimiles in towns, cities and at home, as well as the development of multi-system, large-screen televisions' and replacing old models with new ones. Digital technology and high definition television are also a focus of development.

•Basic products:

•New electronic components including photo-electric components, sensors, transducers, piezo-electric devices, etc.

•Electronic materials including ceramics, magnetic materials, materials for integrated circuits, composite alloy materials, photo-electric, fibre-optic and sensitive materials.

•Specific electronic equipment including semiconductors, integrated circuits, application vacuum devices, moulds, surface mount equipment, cleaning equipment, etc.

•Electronic instruments including testing instruments for semiconductors, integrated circuits and communication optoelectronics, high-end oscillators and record display instruments.

•All kinds of electronics products that are cost-effective in production and suitable for export.

### **China's pneumatic components market**

In China, there are some 200 enterprises engaged



in the manufacture of pneumatic components. Product ranges from pneumatic control valves to cylinders, logic components and auxiliary components. Most of these enterprises are small in scale, and suffer from low specialized production standard and difficulty in raising product quality and value. The domestic production can hardly meet the increasing demand.

Pneumatic technology is known as "the cheapest automation technology," commonly applied in production systems and automated lines. In 1990 the total sales volume of pneumatic equipment in Japan was 210,200 million Japanese yen, which is 57% of hydraulic component sales, while the sales volume of pneumatic components in Western countries is over 30% of hydraulic components. In China, it is only 10% of hydraulic component sales.

In recent years, the production lines introduced into China's electronics, textile, light industry, chemical, food, pharmaceutical and foundry industries have mostly incorporated pneumatic systems. While the domestic production of pneumatic components can only meet half of the demand, there is a huge market for imported components. According to a survey, China will have a demand for 2,520,000 pneumatic components (not including 3 million attachments) by 1995.

Most of the pneumatic components are exported together with the machines. It is expected that China's total export value of pneumatic components will hit US\$10 million.

The development of pneumatic components in China can be summarized as follows:

- The trend will be in the direction of low power consumption, low noise and low price.

- Pneumatic components will be miniaturized, lubricant-free, mechanic, electronic and optical integrated.

- They should be able to produce high speed, high output, high response, high pressure and high quality.

And the country will:

- Enhance the research and development in new technologies

- Use numerical control machine tools in machining

- Raise automation

- Computerize production management

## Many JVs in automobile industry

In order to raise production and quality, China's automobile industry has incorporated much foreign investment in setting up joint venture companies in China.

Already there are joint-ventures with Volkswagen in Shanghai, Audi in Jilin, Citroen and Nissan in Hubei, Chrysler in Beijing, Daihatsu in Tianjin, Peugeot in Guangzhou, and Fuji in Guizhou.

Presently, China's production capacity is 1,000,000 vehicles per year, while the actual output is 250,000. It is anticipated that by the year 2,000, the capacity will be raised to 2,000,000 vehicles a year.



## Airlines look to foreign fuel supply

The boom in China's economy has also ignited its domestic air passenger travel industry. The boom has taken the industry by surprise. Air fleets have been expanding briskly. However, most airlines are unable to secure a stable supply of aviation fuel. Airlines are now looking to foreign investors to supply them with aviation fuel.

The shortage is most acute in the prosperous coastal regions. Last year fuel shortage at Fuzhou and Chongqing

airports led to delays and cancellations, officials said. For immediate solution, airlines are turning to overseas firms to modernize their overstretched and run-down fuel equipment.

At least 4 billion yuan (US\$459 million) will be needed to renew and expand aviation fuel-supply facilities across the country by the year 2000.

Other actions to resolve the fuel shortage include the country's only supplier, China Aviation Oil Supply Corporation (CAOSC), setting up partnerships with foreign oil companies. Three of its regional branches will be converted into joint ventures, according to the corporation's president, Bai Zhijian. The Chinese corporation will be the dominant partner in all the ventures. The projects are still awaiting government approval.

Late last year, CAOSC agreed to set up joint ventures with Britain's BP in North China, Vitol in central China and France's ELF in east China.

Analysts say the deals will allow foreign investors a share of the lucrative Chinese aviation-fuel market while providing CAOSC with badly-needed funds and making it more competitive.

## Shipbuilding industry calls for upgrading

Though China is the third biggest shipbuilding exporter



on earth, its industry urgently needs upgrading if it is to surpass Japan and Korea to claim the number-one spot in shipbuilding.

In 1992 China's export of vessels and ocean freight transportation equipment totalled US\$900 million, or more than 1 million tons.

Exported vessels were mainly oil tankers, as well as container vessels, cargo vessels and barges. The largest vessel built was a 150,000 ton oil tanker.

China has 300 shiprepairing yards and 500 shipbuilders, the most abundant in the world. However, of all these yards and builders, only 20 have the capacity of building vessels of over 10,000 tons, and only 2 can build is around 2 million tons.

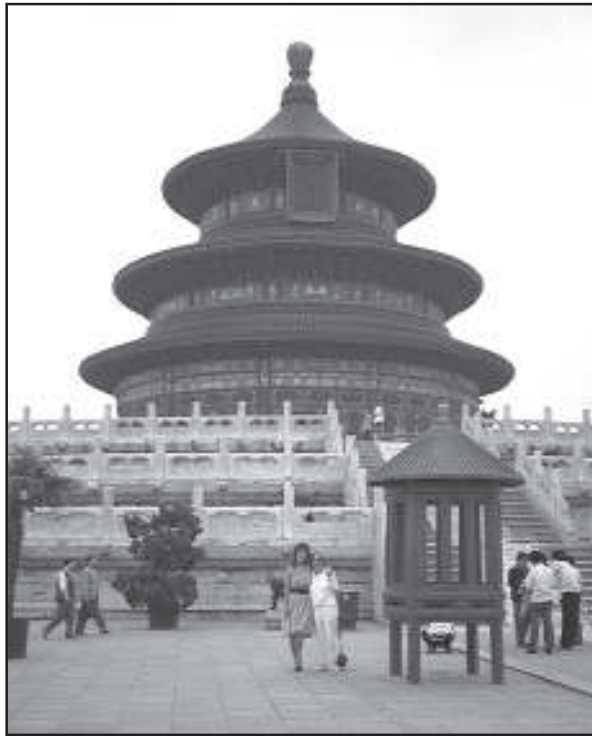
Compared to Japan and Korea, China's shipbuilding industry is lagging behind in both production capacity and quality. To be more competitive, the industry needs to shorten the hshipbuilding time, inject capital, standardize price and upgrade the overall quality and performance.

## **Environmental control needs a boost**

At present, China's annual production of environmental control equipment is about RMB 40,000 million. There are 26 product categories and 2,300 kinds of products.

Most environmental control equipment manufacturers in China are small enterprises. They lack product standardization or quality assurance. And a lot of improvement has yet to be made to upgrade their mechanical and electronics technology.

With these intrinsic drawbacks, the environmental issue in China is going nowhere. In order to keep in line with the worldwide environmental control movement, within the 8th Five-Year Plan period, China's environmental equipment market will be of a value of RMB25,000 million.



## **Machine tool market expands**

Last year China's machine tool market grew by 27.24%. It is estimated that the market will continue to prosper in 1994. Reasons are:

- The steady growth of China's economy leads to continuous demand for traditional machining, drilling, milling and planing machines. The demand for special machine tools for automotive, shipbuilding and aeroplane manufacturing is also on the increase.

- Capital investment has been increasing year after year. In 1993 the investment value was RMB 10,000 million, an

increase of 47% over the previous year. The machinery and electronics industry, one of the pillar industries, will continue to grow, so will the demand for machine tools and tools.

- The rapid development of townships, private and corporate enterprises has enlarged the machine tool market.

- Foreign investment in China also creates the need for production machinery.

## **Guangzhou leads province in alluring overseas banks**

Guangzhou will be inviting a variety of overseas financial and insurance companies to set up branches around the city.

According to Kuang Baoling, director of the Guangzhou branch of the People's Bank of China (PBOC), the country's central bank, America's AIA insurance group with at least one other foreign insurance company will be establishing local subsidiaries this year.

Insurance companies will need the approval of the PBOC to open offices in Guangzhou. Seven overseas banks and 23 representative offices are already operating in Guangzhou.

The seven are France's Societe Generale, Hong

# REGIONS

Kong's Nanyang Commercial Bank and The Bank of East Asia, Japan's Sumitomo Bank and The Sakura Bank, the US's Bank of America and Singapore's United Overseas Bank. In 1993, together issued US\$186 million in loans and transferred US\$270 million worth of foreign funds into and US\$86 million out of the province.

Guangzhou ranks third after Shanghai and Shenzhen for the most number of foreign banks. According to the managing vice-mayor Chen Kaizhi, Guangzhou will continue to liberalize its commerce sector to attract more overseas banks.



As for the province itself, Guangdong will be approving a total of 10 overseas banks to open branches in the area. An official with the Foreign Bank Administration of the PBOC's Guangdong branch said that the 10 new banks will be located in Guangzhou, Shenzhen, Zhuhai and Shantou, all of which already have foreign bank branches.

## Guangdong ranks second in number of large enterprises

Statistics show the number of large-scale enterprises in Guangdong Province ranks second in China, second only to Shanghai.

In 1992, of the 500 Fortune companies in China, 46 were in Guangdong, clearly indicating Guangdong being one of the most important industrial regions in China. The 100 largest industrial enterprises in Guangdong contributed a tax amount of nearly RMB7,000 million. Most of these 100 enterprises are located in the Pearl River Delta area.

Guangdong is also a hot spot for foreign investment. Of the 10 largest foreign invested enterprises in China, six are in Guangdong.

## Guangdong: healthy economic growth

Under macro-control and planning, Guangdong Province last year enjoyed a stable economy and continuous, rapid growth. Significant achievements included:

- Industrial and agricultural production rose by 31% over the previous year

- Total output of township and village enterprises was RMB208,000 million, a 45% increase over 1992.

- Total industrial production was RMB508,800 million, 36.5% more than that in 1992.

- Export value was US\$27,000 million, while import value was US\$19,900 million.

- Agreements on using foreign investments totalled 19,000 while actual utilization of foreign fund was US\$9,600 million (grew by 98.6%), in which direct investment from foreign companies set a record of US\$7,498 million.

- In infrastructure construction, the electricity power generation was increased by 3.85 million KW. A new 150km-long expressway and an 1,349km-long highway were constructed. And the capacity of telephone exchange was expanded to 2.2 million.

- Total retail sales volume was RMB140,260 million, an increase of 32.3% over 1992.

- Revenue totalled RMB34,620 million and expenditure was RMB33,420 million.

- Unemployment rate was controlled to be under 2%.

## Sky high rents in Beijing

Rent prices for some of Beijing's prestigious office

addresses have rocketed with some comparable to prime sites in Hong Kong.

The lack of suitable office space is the accredited to the hike in prices around Beijing.

Properties along prestigious roads like Jianguomenwai Avenue house some of the world's largest multi-national corporations. It is not uncommon for these corporations to pay US\$66 per square meter. Tenants at the famous Beijing China World Trade Center pay up to US\$75 per square meter, one of the highest monthly office rents in the area. Other prime sites can be expected to charge in the region of US\$50 to US\$60 per sq.m.



According to property experts, when a prime office building comes on to the market, it is not the least bit surprising if they are snapped up within days or weeks.

### **Shanghai is No. 1 port**

Last year the port of Shanghai handled a total value of US\$309,300 million of import and export goods, making it the leading port in China. Compared to 1992, this is an increase of 23% in value.

### **Tianjin to create new economic zone**

A blueprint has been drawn up to turn the northern Chinese port and seaside city of Tianjin into a free trade

area and economic and technology development zone.

Tianjin's mayor Zhang Lichang revealed that the zone will feature an export-oriented economy in industries such as metallurgy and chemicals as well as the service and tourism industry. On completion, the total industrial output from the development is targeted for US\$1.26 billion.

The completed Tianjin free port will have its own infrastructural facilities capable of handling over 409 million tons of goods and over 500,000 standard containers.

### **30% growth acid test**

To be viable, foreign businesses in China need to grow by at least 30 percent per annum, according to Rick Yan, general manager of Bain & Co. China Inc., a management consultant.

Yan stipulated that China ventures which fail to attain the 30 percent threshold have to seriously reconsider their market or the companies' strategy.

In an address to an American Chamber of Commerce seminar, Yan said that to maintain relative market share, one should target to double market share in five years. He reminded foreign companies not to be complacent or get carried away by China's huge market potential. He said that the China market is not as simple as many may think.

One of the many difficulties managers from foreign companies face is market positioning, Yan added. The perplexing question is whether to focus on the top five to 20 percent premium market or target the low-cost, mass market.

"Our experience suggests that they should focus on the premium segment," said Yan. He added that most multinational companies do not have the Chinese management, capacity to build and operate plants with local cost structure.

## **TRENDS**

### **Computers have become a way of life**

As personal computers become more and more user-

friendly and affordable, they have a new role to play in better off families. An average 286-based computer retails around 3,000 RMB. A popular computer sales point can sell around 200 units a month.



Most people who buy personal computers in China are writers, journalists, lawyers, doctors, engineers, teachers and fashion designers. Some wealthy families also buy computers to help educate their young.

According to some users, personal computers make their life easier. They can extend their working or studying hours by bringing home work.

The most popular computer models are 286 compatibles. Their more powerful counterparts—386s—are more expensive and mostly tailored for professionals or technocrats. These machines are considered as deluxe items with an average price tag of 7000 to 8000 RMB.

### Brisk sales of fitness equipment

As people in China grows richer and more health-conscious by the day, body building is fast becoming one of the latest trends sweeping across the country.

Surveys in China's two most affluent cities, Beijing and Guangzhou, show health is now the number-one concern of local residents.

This phenomenon helps explain the sales boom in fitness equipment in China's large cities. One famous joint venture in Beijing alone sells more than 15,000 yuan (US\$1,724) of exercise equipment a day.

Exercise machines in the price range of 2,000 yuan (US\$230) to 5,000yuan (US\$575) are among the best sellers for individual customers. Ever since 1986, the purchase of exercise equipment by individual buyers has shown steady growth.

However, the individual market still has a long way to catch up with the institute buyers market. According to the Internal Trade Ministry, institute buyers accounted for 90 percent of all exercise equipment sold. Body building has become one of the latest trends sweeping across China.

### PVC windows

PVC windows commonly used in the United States,



Germany, Japan and Central Europe are now popular products in China.

In high and freezingly cold areas and in the central part of China, energy saved resulting from the use of PVC windows can worth as much as RMB2,000 million a year.

Apart from energy saving, PVC windows have other advantages:

- PVC's specific gravity is lower than steel. A ton of PVC can produce more windows than the same amount of steel.

- Energy used in the manufacture of PVC windows is much less than the manufacture of steel or aluminium windows.

- The heat conductivity rate of PVC windows is 1/1250 of aluminium and 1/357 of steel. They are better for sound proof, last proof, waterproof and anti-corrosion.

The annual production of PVC windows in China has reached 900,000 tons.

### Camcorder popular in China

As a result of economic growth and the subsequent rising of living standard, there is a potential market for camcorders in China in the next few years.

According to trade professionals, the reasons for the increasing popularity of camcorders are as follows:

- More and more commercial enterprises, academic institutions and trade bodies use camcorders to document their activities instead of taking photographs.

- Camcorders are winners in filming exciting events like marriages, birthday parties, social gatherings, as well as the various stages of bringing up children.

- The price has gradually been accepted by consumers. At present, the retail price of a camcorder is below RMB10,000, and is getting more affordable in the future. To families of higher income, the price is within reach.



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