

## French company earns quality award in China

By Wang Ye

**Asialnspection**, a French service company operating in quality control, was awarded the 2006 SME (small and medium-sized) China Prize over the weekend.

The SME China Prize, launched by the French Chamber of Commerce with the support of the French trade office in China and French Overseas Trade Advisors, is part of the "Plan Cap Export Chine."

The partners wish to encourage the establishment of French SMEs in China by awarding such a prize, and recognize and support the efforts of SMEs or individual entrepreneurs with successful business activities in China.

Of 20 or so high quality applications received by the chamber, **Asialnspection**, established in Shenzhen in 2002, impressed the judges with their turnover growth and its impact on the parent company in France, the organizer said.

The innovations developed by the firm in order to adapt to the Chinese market and the firm's direct and indirect actions in terms of social and environmental responsibility also were noted.

French President Jacques Chirac's visit to China last week came at a time when French investment in the country had exploded.

According to the French embassy, French investment in China has increased fourfold in the past 10 years, with about 600 French companies doing business here.

In order to encourage small and medium-

sized French companies to invest in China's interior, Chirac paid a visit to Wuhan in Central China's Hubei Province after leaving Beijing.

Florence Gomez, general manager of the French Chamber of Commerce and Industry in China (FCCIC), said that her organization has drafted a three-year action plan, the core components of which are to match the French offerings with Chinese needs and spread information on how French companies can invest in or procure from China, and tips on doing business in the world's fastest growing major economy.

"We have done a lot in providing information about the Chinese market and helping French companies do business here, but one area that we do not do well enough is grasping the needs of the Chinese economy, as it is usually very difficult to get accurate information," said Goetz.

"We are happy to have the financial support from the network of French chambers of commerce in France, which regard China as a prime opportunity in French companies' overseas expansion."

She said starting in January 2007, the FCCIC will visit French companies and local governments in Hubei, Sichuan, Shandong and Liaoning provinces, where many French companies have established operations.

They will try to understand the progress and difficulties of French firms there, talk with government officials about how French companies can establish their businesses, and determine the local needs.



### Tallest building set for March 2008

The Shanghai World Financial Centre, now under construction, will soon dwarf the Jin Mao Tower, its immediate neighbour, to be the tallest building on the Chinese mainland. According to the latest report, construction of the World Financial Centre will officially be completed March 23, 2008. At 492 metres, it will be 71.5 metres taller than Jin Mao and its observatory deck at 472 metres will be the highest in the world. NEWSPHOTO

# Financial sector a hot spot

Phase-in of WTO requirements expected to throw domestic banking industry into strong competition while foreign banks are limited

By Wang Zhenghua

The real competition in the financial sector is about to begin as China concludes the phase-in period of the World Trade Organization (WTO) reforms in two months, economists have said.

Universal banking could prevail and a more integrated credit market is possible. An effective capital market is key to rein in excess liquidity and to meet the diversified needs of financing, they insisted.

According to a research report conducted by two senior economists with Citigroup Inc, a central theme in post-WTO China will likely be changing landscapes in the financial industry, and a real battle among dif-

ferent institutions is expected.

"In the very near term, competition from foreign banks will likely be limited," said Huang Yiping, one of the authors of the report.

"The foreign banks will still face some hurdles in developing their businesses, as they will need to incorporate locally in order to conduct RMB business. Their applications for new branches are still subject to lengthy approval processes, and they need licenses for each business line," he said.

But in some segments of the market, competition is already visible.

As foreign banks' business expansion is restricted by limited networks, they will probably concentrate on customers at the high end, including both large firms and relatively rich individuals. Do-

mestic banks may take advantage of their massive networks and reach the lower-end of a vast number of customers, which will likely help ease the credit constraints of small and medium-sized enterprises, according to the report.

Also, as globalization, fierce competition and technological innovations were the main drivers of universal banking in the United States, these factors are already advancing the idea of universal banking in China, the report said.

Facing competition from foreign banks equipped with technologies for broad financial products, domestic banks already entered into the securities market and insurance companies started to acquire stakes in commercial banks.

"It is very likely that China's current specialized regulatory framework will be adjusted in response to this movement. One option is to unify the supervisory bodies of banks, insurance companies and securities into one to enhance the ability and effectiveness to oversee financial activities," the report said.

Or, at least, a co-ordination mechanism among

them will be established as early as next year. Financial institutions could then be able to explore the full advantages of enriched products and cross sales to a broadened customer base.

As for credit markets, the report said segmentation has been a big hurdle to improve the efficiency of credit allocation and accessibility of credit for households and small businesses.

The report also said that consumer financing could be another rapidly growing area.

Household access to credit is limited in China unless valuable collateral like real estate can be pledged to lenders. Foreign banks equipped with better technology in customer screening may lead the boom of the consumer credit sector, which can increase the consumption income ratio to some households and advance the innovation of new consumer goods and services.

Domestic banks may also join foreign banks in the consumer credit market when the current bank restructuring is completed in the near term.

## Gaelic Games form close friendship

By Ida Relsted

Ireland's Minister for International Trade, Michael Aherne, visited Shanghai recently to support the 2006 DHL Asian Gaelic Games, which took place October 14-15. In an exclusive interview with China Daily Shanghai & Delta, the minister gave his views on the link between the games and growing relations between China and Ireland.

*How does an event like the 2006 DHL Asian Gaelic Games affect Chinese-Irish trade relations?*

"If you see it from a historical perspective, we used to have missionaries who went out into the world and made connections, and thereby got to be trusted. Now we have a new way of doing something similar, because young people are working across the world and getting involved in the local communities. In games like the 2006 DHL Asian Gaelic Games, local people get involved, whereby informal networking and friendships form. Afterwards it is easier to ring somebody up and perhaps do business. It opens doors, which is a great benefit."

*How do you see the future of relations between China and Ireland?*

"We will be doing more and more business with each other, there will be continuing growth, but maybe not at as high a rate. In Ireland we have a highly educated youth, and our exports are especially strong in pharmaceutical and software sectors. When it comes to software, Ireland is among the leading exporters in the world."

A small agricultural country with high technology.

Ireland's consul-general in Shanghai Nicholas O'Brien explained that Ireland is a small country with strengths in agriculture and technology. Food and pharmaceuticals make up much of Ireland's exports to China, being fields in which the Irish can compete more on quality with less emphasis on price.

## Home Inns enjoys strong US market debut

By Zhou Weirong

Home Inns & Hotels Management Inc, China's second-largest budget hotel chain, has made a successful debut on the US Nasdaq stock market, with its share prices surging for two consecutive trading days last week.

The Shanghai-based company's American depositary receipts closed at US\$25.44 Friday, the last trading day of the week. This was an increase of 13 per cent from the closing price of the first trading day, US\$22.50. The stock jumped 63 per cent on the first day from the opening price of US\$13.80.

Investors' enthusiasm, building upon the huge growth potential of the industry in China, was greater than expected, said Home Inns' Board Chairman Shen Nanpeng.

"Home Inns is probably Nasdaq's

best IPO performer of the year," he said.

"American investors have had very good understanding of China's economic conditions. Therefore, they showed great interest in the stock of Chinese enterprises."

The market value of Home Inns reached US\$800 million based on its first day performance on the stock exchange, more than doubling analysts' previous predictions.

Mao Zhenrong, an analyst with Shanghai-based Shenyin Wanguo Securities Co Ltd, told China Daily Shanghai & Delta that there still exists big potential for Home Inns to grow in the following three years.

"At present, competition among budget hotels in China is largely focused on two cities, Shanghai and Beijing. You can hardly feel competition in other parts of the country. I believe

the industry will continue growing at a fast speed in the following two to three years," he said.

In a media statement released yesterday, Home Inns' Chief Executive Officer Sun Jian said the company has set its targets on 100 cities with populations exceeding 4 million, in a bid to strengthen its leading status in the market. At present, the company only carry out business activities in 50 such cities.

Home Inns is mainly competing with Jinjiang Inn and Shanghai Motel Management Co in an emerging budget-hotel industry that grew to 50,000 rooms last year from almost none four years ago.

Home Inns' 82 hotels cater to budget-conscious travellers, a growing segment of the hospitality sector as more small business owners and residents travel within China.

## Private plane sales fail to take-off

By Zhou Weirong

While the two largest aircraft producers, Boeing and Airbus, are selling their super-sized planes like hot cakes to China, private plane producers are shaking their heads in disbelief when they look at their sales record in the world's most promising market.

In spite of the painstaking marketing efforts by plane-makers, they have only sold 70 small-sized planes to Chinese individuals.

Based on earnings, there are at least 300,000 Chinese who can afford a private plane.

However, unlike many European countries and the United States where people are already talking about an era of private jets, largely because of terrorism threats, China still has a long way to go before it sees a large number of private jets in the country, said experts.

During a recent trip to Shanghai to display its latest commercial jets, Guan Dongyuan, China president of Brazil-based Embraer, told China Daily Shanghai & Delta that high tariffs, insufficient infrastructure and poor market recognition have prevented Chinese from purchasing private planes.

At present, potential buyers of private jets in China are mainly businessmen who

need a decent and convenient transportation tool to promote their businesses.

The Chinese Government has set high tariff standards for small planes weighing less than 25 tons. Buyers need to pay 5 per cent import tax plus 17 per cent of incremental value tax.

In comparison, the import tax levied upon larger planes weighing over 25 tons is only 1 per cent, while the incremental tax is 4 per cent.

Meanwhile, private jet owners may find it difficult to land their planes in many Chinese airports.

There are only 142 airports in China for civil use, of which only a few have separate boarding passages and waiting areas for private planes.

Even in the capital city of Beijing, construction of a lounge area for private commercial planes was started only recently.

In order to fly a private plane from one place to another, a 24-hour notice is needed for the aviation authorities to issue approval. In the United States, owners of the estimated 220,000 private jets only need to apply one hour in advance to fly between any two cities of the country.

Poor sales in China can also be attributed to customers' poor understanding of special luxury goods.

For example, many Chinese tycoons

want to see a final product that they can use immediately before they make a payment, which is impossible to satisfy for many producers.

"A lot of work needs to be done to disseminate the uses and functions of the private commercial jets. The customers have to understand that a private plane is not only a sign of wealth and social status, it is also an effective tool to improve efficiency and productivity," said Guan.

Compared with China's market, private

jets have reported satisfactory sales in economically developed regions such as Europe and the United States.

Many aviation experts link this phenomenon with rising terrorism threats worldwide, which triggered a tightening up of security measures in airports.

By owning a private plane, rich people can not only escape from the long and tedious security checks, but also enjoy more freedom in planning their business, said experts.



Private jets are on display at an aviation show in Shanghai's Hongqiao Airport in this file photo from August 9, 2005. GAO ERQIANG

## FINANCIAL NEWS

### Foreign investment up

Shanghai absorbed US\$10.8 billion worth of contracted foreign investment between January and September, up just over 1 per cent year-on-year. Actual foreign funds stood at US\$5.73 billion in the period, growing 1.5 per cent, according to the Shanghai Foreign Economic Relations & Trade Commission. Within the nine months, Shanghai played host to 25 regional headquarters, 14 investment companies and 21 foreign-funded R&D centres.

### Airline adds flight to Sanya

Private carrier Juneyao Airlines has introduced its second Airbus 319, which will start flying between Shanghai and Sanya, Hainan Province, November 1. The move will spark competition between Juneyao and another private carrier, Spring Airlines, which has already started the route. Juneyao Airlines was founded by the Shanghai-based Juneyao Group at the end of September, with an investment of 150 million yuan (US\$19 million).

### Fashion show

The trendsetting show for China's fashion industry, Intertextile Shanghai Apparel Fabrics 2006, ended Saturday at Shanghai New International Expo Centre. Organized by Messe Frankfurt, the Sub-Council of Textile Industry, CCPIT-Tex and the China Information Textile Centre, the four-day trade fair attracted 2,029 exhibitors from 25 countries, an increase of 27.8 per cent from last year. Statistics showed China's trade volume in the textile sector reached US\$120 billion last year.

### Online insurance

Online car insurance dealer Chemeng (China) Network Co Ltd announced last week it has won million of dollars of investment from international investors including Walden International and DT Capital Partners. Chemeng's revenue has rocketed since it launched its website to provide car insurance sales and services. Company managers said the revenues for this year would at least double last year's US\$12 million.

### Hannover Fairs set

A package of four international fairs sponsored by Hannover Fairs is scheduled for November 1-5 at the Shanghai New International Expo Centre. The four fairs are Energy Asia, Factory Automation Asia, Metal Working China 2006 and Interkama Asia 2006. The four fairs will welcome 740 exhibitors and an estimated 50,000 visitors from home and abroad on an area of 34,500 square metres, according to the organizer.

### Industry fair

The First China International Industry Fair, renamed after seven sessions of the Shanghai International Industry Fair, will run from Wednesday through Sunday at the Shanghai New International Expo Centre. The government-funded expo is aimed at keeping abreast of its German competitor - the Hannover Fairs, which will take place at the same time. The new session, highlighting innovation and equipment manufacturing, will witness the largest-ever exhibition area and about 2,000 exhibitors.

### Jewellery extravaganza

The Second China (Shanghai) International Gold and Jewelry Fair will be held between Thursday and Sunday at the Shanghai Exhibition Centre. The fair, one of the most important jewellery fairs in the wealthy eastern area, will gather more than 100 jewellery makers from eight countries and regions. Jewellery, diamonds, gold products, pearls and machinery will be exhibited.

### Floor covering expo

Domotex Asia/Chinafloor 2007, a leading international trade fair for floor coverings, will be held in Shanghai March 28-30 next year. Thanks to rapid economic development of the country, China has become the world's trading centre of floor coverings. Last year, the fair attracted 833 exhibitors from 37 countries. The number of exhibitors this year is expected to reach at least 900, according to organizer VNU Exhibitions Asia.

### Product design firm opens office

US-based OnSpeX, an international provider of consumer product design, evaluation and advisory services for retailers and manufacturers, has opened its first Asian centre in Shanghai. The 1,400-square-metre Product Evaluation and Consulting Centre is also the headquarters of the company's Asian business.

### Commemorative money launched

To commemorate the 58th anniversary of the issuing of the first set of Chinese currency, the renminbi, mini copies made of silver produced by China Banknote Printing and Minting have recently been launched for sale in Shanghai. Such a collection featuring the first set of renminbi has never been on sale before in China. The mini silver copies also includes 124 stamps of the same theme and a book of how to appreciate old banknotes.