

David Dollar Wows the Chamber with World Bank Wisdom

Chamber Dinner: "How will China Master the Twin Challenges of Inflation and a Global Slowdown?"

"Challenging," that's the way World Bank Country Manager David Dollar characterized the decision-making situation for the Chinese leadership in the coming year. Clearly, he said, the current priority is to control inflation, which has gotten very high in foodstuffs (20%), and seems to be increasing in a variety of other sectors, particularly services. China's extraordinary trade surplus contains the danger that inflation could worsen further due to high liquidity. All year, China has been increasing bank reserve requirements to respond, but both unit labor cost and the core producer price index are going up. As recently as two years ago, the latter had been at a zero increase.

Of course, the US dollar's decline against the RMB helped to reduce inflation, but imports from Europe were as expensive as ever, if not more so. So, the effect was not large. Despite a slowdown in growth from 11-12% to 10.6% in the first 5 months of this year, growth is still very robust, suggesting the Chinese economy could take some stronger measures to curb inflation, Dollar said. He suggested, that it would be particularly important for China to face global increases in resource pricing, particularly for energy, forcing users to adapt. A rise in prices would cause a rapid increase in production efficiency.



On the day after David Dollar's presentation to the Chamber, the Chinese leadership did, indeed, decide to raise oil prices.

Another important part of the Dinner was the members' farewell to Werner Lauk, who had been a Deputy Chief of Mission and Head of the German Embassy's Economic Section for years. His close cooperation with the Chamber was lauded by Chairman Dr. Richard Hausmann and Executive Director Jutta Ludwig. Lauk's deep knowledge of China benefited both Chinese and Germans, for whom Lauk built bridges.

His next posting will be to Afghanistan as the German Ambassador, where he will need his qualities of extreme patience and calm to accomplish his task. Even the eloquent David Dollar said only "I wish you well," when he learned of the new posting. All German Chamber of Commerce in China • Beijing members joined David in expressing this wish.

The War for Talent: How to Tie the Troops to Your Army

As Watson Wyatt found in a recent study, 88% of German companies in China name the search for appropriate staff as their number one challenge. It is far ahead of bureaucracy, intellectual property protection, and all other potential issues.



Dr. Kuang-Hua Lin, president and sole proprietor of one of Germany's leading top management consultancies specializing in Asia, Asia Pacific Management Consulting GmbH (APMC), Düsseldorf, says that the success of any enterprise in China depends on how long it can get employees to stick. 16.4% turnover per year, on average, is the official statistic. The actual figure is far higher, as the few stellar companies with a 5% rate are averaged with the many whose rate exceeds 25%.

Dr. Lin argues, that appropriate pay is better than the highest pay in the industry, that financial incentives are not what binds employees to the company, and that the optimal mixture of measures is key. He gave three examples of differently sized enterprises from various sectors.

Topic: Retaining Employees in China – New ideas and best practices
Speaker: Dr. Kuang-Hua Lin APMC

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