European Business in China
Asia-Pacific Headquarters Study

In partnership with Roland BergerStrategy Consultants
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The Asia-Pacific Headquarters Study 2011, conducted by the European Union Chamber of Commerce in China (European Chamber) in cooperation with Roland Berger Strategy Consultants, examines the growing trend among multinational companies (MNCs) towards establishing regional headquarters in Asia Pacific. The gradual global economic shift towards the Asia-Pacific region has many MNCs placing an increasing strategic importance in this region, especially as regional GDP and consumer demand growth rates outperform those in other regions.

This study examines how European MNCs select the location of their Asia-Pacific regional headquarters in order to compare the perceived competitive advantages of various cities in the region. In consolidating the different experiences, the European Chamber seeks to provide a valuable resource for foreign MNCs looking to expand their presence in the region. The study also provides the region's various governmental authorities with informed recommendations (e.g., to Shanghai's municipal government) and suggestions (e.g., to other city governments in Asia) that are mutually beneficial for these authorities and the international business community.

First, the respondents ranked approximately 25 criteria based on the level of importance to foreign companies when locating their regional headquarters. The following ten criteria were considered most important for the location of a regional headquarters: (1) proximity to clients and markets, (2) favourable legal and regulatory environment, (3) stable and favourable political environment, (4) favourable business environment, (5) favourable tax environment, (6) access to human capital, (7) cost of operations, (8) transparent and easy market access, (9) proximity to production facilities, and (10) access to distribution channels.

Second, the performance of selected cities was assessed against the ten most important criteria. Singapore, Hong Kong and Shanghai came on top of the list of preferred locations, with very close overall scores. The findings show that Singapore performs best on many key selection criteria, including favourable legal and regulatory environment as well as stable and favourable political environment. Hong Kong comes close and is remarkably strong in terms of administration, regulation and taxation. Shanghai compares favorably on “overall attractiveness” with the other top three locations mainly due to its high score on the “proximity to clients/markets” criterion. However, it lags behind Singapore and Hong Kong when assessed on four out of the five criteria considered most important by respondents.

The European business community in China currently considers Singapore, Hong Kong and Shanghai as being the most attractive locations in Asia Pacific for multinational companies’ regional headquarters. The performance and attractiveness assessments underlie these cities’ outstanding status. Thus the study also provides detailed insights about these cities’ characteristics as headquarters locations and major developments in the general business environment too.

Most importantly, the study identifies obstacles that are being faced by European companies when operating in these cities. Additionally, the survey provides Shanghai-specific insights into the financial services and maritime transportation industries – two sectors the city of Shanghai considers priorities.

1) Please see the Methodology section at the back of the report.
INTRODUCTION

For nearly a decade, the Asia-Pacific region has consistently outperformed other major regions in terms of economic and consumer demand growth rates. The region’s growing attractiveness has led to a noticeable increase in its relative importance to multinational companies. Understanding companies’ decision-making processes and reasoning for establishing their Asia-Pacific regional headquarters and examining where they set them up yields valuable insights into the relative merits of different cities.

In this context, the European Chamber Asia-Pacific Headquarters Study 2011 focuses on evaluating the performance and attractiveness of different cities within the Asia-Pacific area for the location of regional headquarters. It draws upon a quantitative survey of European Chamber members and qualitative interviews with senior representatives of multinational companies operating in the Asia-Pacific region. The quantitative and qualitative findings were combined with external intelligence to form a city assessment. This assessment was based on criteria, which were identified and ranked according to their importance for multinational companies when considering where to locate regional headquarters. The study first compares a broad group of major cities in the region. It then compares in detail the three highest-ranking ones: Singapore, Hong Kong and Shanghai. The study provides concrete insights into the performance and attractiveness of these cities with regards to their potential for hosting regional headquarters.

2) E.g. East Asia achieved an estimated GDP growth of 9.8% in 2010, the highest rate of any region in the world according to the International Labour Organization.
Of the 67 survey respondents to the Asia-Pacific Headquarters Study 2011, close to two-thirds stated that their company already has one or more headquarters located in the region. Most companies have one Asia-Pacific regional headquarters. A few companies have set up separate headquarters for different business units.

Among our survey respondents, most of their Asia-Pacific regional headquarters are located in Singapore, followed closely by Shanghai, Hong Kong and Beijing. Some respondents have headquarters located in Tokyo, Bangkok, and Guangzhou.
Coverage

The geographical coverage of these Asia-Pacific headquarters varies, with China accounting for 90% of them.

Some companies have set up separate regional headquarters in China in order to specifically focus on the Chinese market. In addition, some interviewees stated that they have relocated or are planning to relocate some of their regional or even global functions to China.

Size

The headcount of Asia-Pacific regional headquarters among the respondents varies from fewer than 10 to more than 250 employees. A size of 50 or fewer employees is the most common.
Many surveyed companies have been operating in the Asia-Pacific region for several decades. However, there is a clear trend towards new regional headquarters being opened in the region. This trend has accelerated over the past 20 years, with one-third of all first openings taking place in the 1990s and close to 50% after 2000. This trend is very much in line with the increased focus on the Asia-Pacific region.

Of the companies that established Asia-Pacific headquarters at least ten years ago, 16% reported having since relocated their headquarters within the region. Shifting regional headquarters has become even more common recently. In 2010, for example, 24 multinational companies announced their plans to shift regional headquarters to Shanghai, including global companies like Walt Disney Co., Kraft Foods Inc. and Novartis International AG.

3) Shanghai Daily, July 14th, 2010.
When selecting the location of their Asia-Pacific headquarters, the surveyed companies considered a number of criteria to evaluate the attractiveness of various cities. Five main factor clusters have been identified as being potentially important for the location of regional headquarters: political, legal, economic/operational, geographic/environmental and socio-cultural.

Within the five main clusters, the top ten criteria for selecting Asia-Pacific regional headquarters are:

According to the survey results, proximity to clients and markets is the most important criterion, followed very closely by a favourable legal and regulatory environment. In addition, respondents consider a favourable political, business and tax environment as key criteria when selecting the location for their Asia-Pacific regional headquarters.
Even though the criteria mentioned above are cited as being the most important for selecting the location for regional headquarters, sometimes the decision is based on other criteria, including company history (see chapter below).

**Figure 6: Criteria ranking by importance [#]**

**Question:** Please rank the following selection criteria according to their importance for locating the Asia-Pacific regional headquarters.

\[ n = 67 \]

1. **Proximity to clients/markets** 6.66
2. **Favourable legal and regulatory environment** 6.52
3. **Stable and favourable political environment** 6.05
4. **Favourable business environment** 5.51
5. **Favourable tax environment** 5.42
6. **Access to human capital** 4.91
7. **Lower cost of operations** 4.76
8. **Transparent and easy market access** 4.53
9. **Proximity to production facilities** 4.53
10. **Access to distribution channels** 4.36
11. **Company’s history** 4.33
12. **Incentives to attract foreign enterprises** 4.16
13. **Good infrastructure and transportation** 4.16
14. **Favourable government relations and administration** 4.00
15. **Proximity to supply markets** 4.00
16. **Special incentives to set up RHQ** 3.68
17. **Competitive landscape** 3.63
18. **Access to financial institutions/capital** 3.36
19. **Standard of living** 3.20
20. **Open and efficient capital markets** 3.16
21. **Environment** 3.15
22. **Suitable cultural environment** 3.05
23. **Technology and innovation** 3.00
24. **IPR enforcement** 2.90
25. **Good overall reputation** 2.48

**Note:** Scores are calculated as weighted average of ranking and number of mentions, adjusted to 10 (highest score equals highest importance)
ATTRACTION OF DIFFERENT CITIES IN ASIA PACIFIC

*Singapore performs best on several key selection criteria, closely followed by Hong Kong. Shanghai performs best on the most important criterion: proximity to clients and markets*

In total the quantitative survey evaluated 15 locations for Asia-Pacific headquarters. Looking at the mid- to higher ranks of the evaluated cities, the clear domination of mainland China becomes apparent, with Beijing, Guangzhou and Shenzhen as locations number 4, 5, and 6 out of the 6 top locations.

The findings show that Singapore performs best on many key selection criteria including favourable legal and regulatory environment as well as stable and favourable political environment. Hong Kong is only slightly behind Singapore and is also remarkably strong in terms of administration, regulation and taxation. Although Shanghai ranks first on the most important criterion, proximity to clients and markets, it ranks third behind Singapore and Hong Kong when assessed purely on these criteria and scored notably lower on four out of the five criteria considered most important.
As the individual city analysis will show, Hong Kong and Singapore are repositioning themselves albeit in different ways to maintain and further build upon their respective attractiveness as Asia-Pacific regional headquarters locations. While the key efforts in Hong Kong focus on strengthening economic ties with China and reaching financial and cross-border trade liberalisation measures, Singapore is focusing on building competitive advantages, innovation capabilities, and skilled talent in its strategic industry sectors.

Figure 8: Performance assessment of Singapore, Hong Kong and Shanghai

Question: Please evaluate how Singapore/Hong Kong/Shanghai is performing on the following criteria. n = 67

Note: Scores are calculated as weighted average of ranking and number of mentions per rank, adjusted to 10 (highest score equals highest performance)
Competition between the Asia-Pacific's three key business hubs will endure for some time. As they develop and leverage distinct sources of competitive advantage, we believe – as do the survey respondents – that "there is room for all centres to excel".

In the following chapter we examine the different criteria for choice of location in more detail, analysing the top three cities, Singapore, Hong Kong and Shanghai and their respective competitive advantages. Let us take them in turn.
Singapore has been a top location for regional Asia-Pacific headquarters and offices for decades

Singapore, as one of the world's leading business centres, trading hubs, and home to a major port in the Asia-Pacific region, has been a preferred destination for foreign investment and a top location for regional Asia-Pacific headquarters and offices for decades. With its excellent business environment and first-class service for foreign companies, it scores highly among our survey participants. Singapore has managed to maintain its attractiveness as a location in the recent past, partly due to the resilience of its economy in the challenging global economic environment following the world financial crisis. The Singaporean government's relentless and systematic efforts to increase the competitiveness of its key industries were also instrumental. Corporate and individual taxes have been lowered – income tax rates have been reduced in six steps from 26% in 1997 to 17% in 2010 – as have the costs of infrastructure services and other factors of production. The financial services industry has been further liberalised and barriers to foreign banks have been gradually lowered. At the same time Singapore has invested in increasing the skills and knowledge of its multicultural workforce, focusing on creativity and innovation, and a mix of hard and soft skills. In 2009 the Singaporean Minister of Education stated that "leadership, resilience, an innovative spirit and the ability to communicate well will give students that added edge to compete in a globalised world".4

Singapore, with its excellent business services, scores highly on many dimensions as a location for regional Asia-Pacific headquarters. However, our respondents view its distance from the mainland China market as a key challenge

Our survey participants perceive Singapore as one of the most developed and attractive locations in Asia Pacific. Singapore stands out positively in many of the key criteria, namely on legal and regulatory environment, political and business environment, transparency, tax environment and access to talent.

Interestingly, despite the excellent performance of Singapore on these criteria, if companies were to decide today where to locate their regional headquarters, their preference would be Shanghai or Hong Kong. The fact that many respondents are located in China could be one explanation for this result.\(^5\)

According to the survey respondents, concrete market entry opportunities and links to the mainland Chinese market are perceived as being more difficult to pursue from the relative distance of Singapore regional headquarters. The cultural proximity to China, the availability of Mandarin-speaking talent, and other favourable factors as shown in the survey results cannot outweigh the geographical distance to the Asia-Pacific’s largest market, according to our respondents’ perceptions.

**Living conditions in Singapore are very good**

As emphasised by the interviewees, the overall living conditions in Singapore, particularly the well-established education, healthcare and childcare systems, are widely appreciated. Singapore’s society is described as "open" and "multicultural" with excellent levels of English being spoken. Singaporeans’ mentality was assessed to be completely different from other locations and described as very warm and welcoming.

\(^5\) As shown in earlier sections of this report, our respondents name proximity to clients and markets as the top criterion for choosing the location of their regional Asia-Pacific headquarters today.
European Chamber

Visa processes are very straightforward and in favour of the globalised service industry. Consequently, managerial level employees, who usually have high expectations regarding work and living conditions, are very attracted to Singapore. Its status as a highly liveable city subsequently provides an advantage to all companies when competing internationally for senior-level employees and in attracting them to join Singaporean operations.

*Our survey respondents have made a few suggestions for Singapore to further enhance its attractiveness as a location for regional headquarters in the future*

While the distance to Asia-Pacific's primary market China will remain a key challenge, our survey respondents see various areas in which Singapore can further increase its competitiveness in the future. As a comparatively expensive location, companies with regional headquarters or offices in Singapore would appreciate all forms of cost reductions or financial incentives to lower operating costs. However, respondents believe that it is unlikely Singapore will become as cost-competitive as locations in mainland China. Consequently, companies considering Singapore as a location for their regional headquarters will focus on the quality of the location, its innovation capability, and the attractiveness of its core industries. While Singapore is already in the top ranks with regard to its educational system, respondents said a further investment in technically and managerially skilled talent was needed, given the city's strong foothold in high-tech industries such as telecommunication.
Hong Kong is regarded as an attractive location for regional headquarters today, owing to its favourable business environment, highly transparent legal and regulatory conditions, and highly competitive corporate tax levels

Hong Kong, as one of the world's leading financial and business centres, an established gateway to the Asia-Pacific region, and in close geographical proximity to mainland China, is a preferred location for multinational companies' regional headquarters. According to the Hong Kong government, some 3,638 regional headquarters / regional offices were located in Hong Kong as of June 2010. Given Hong Kong's open and free economy with high regulatory transparency and a government that strongly encourages foreign investment, it is not surprising that many survey participants have chosen to locate their regional headquarters in that city.

Our survey respondents especially appreciated the favourable legal and regulatory environment, a stable and mature financial market, and the extremely competitive corporate income tax structure. Compared to Shanghai, which respondents perceive as highly regulated, Hong Kong is regarded as "very straightforward" when it comes to regulatory, administrative, and financial processes. The comparative tax advantages are also regarded as a key factor in favour of Hong Kong as a preferred location for regional headquarters and offices. One example of the highly convenient administrative process often cited by survey participants is the long-established, fast and uncomplicated handling of visas and work permits for foreigners.
European Chamber

Hong Kong builds on its strong position as an international financial centre

Home to one of the world's largest stock exchanges by market capitalisation and most-developed financial services sectors, Hong Kong holds a strong position as a financial centre for the Asia-Pacific region. While Shanghai is working on becoming a major financial hub, Hong Kong is still clearly the preferred location when it comes to financial services, as several interviewees stated. Respondents appreciate the "mature and comparatively stable market", its "highly differentiated products and services offering", as well as the "absence of complex regulations". While raising capital remains a major issue in Shanghai's financial market, Hong Kong is a key capital-raising centre for Asia-Pacific operations, both for multinationals as well as for Chinese companies. This makes it a key source of offshore financing for Chinese enterprises today.6

The main challenge for Hong Kong will be to harness its position as a developed market while simultaneously leveraging its proximity to mainland China

While proximity to the dynamically growing Chinese market is a clear advantage for Hong Kong compared to other peer group headquarters locations such as Singapore, increasing competition from mainland locations such as Shenzhen, Guangzhou and particularly Shanghai is a key challenge for Hong Kong. Cities in mainland China offer direct access to this key market.

6) Hong Kong Trade Development Council (HKTDC).
Many manufacturing operations that were previously located in Hong Kong have moved to the mainland. Currently, some operations in its core economic pillar of trade and logistics are being relocated (other core pillars are the financial services sector, professional services, and tourism). As one of our survey respondents stated, with its high labour and other operations costs, Hong Kong is becoming "simply too expensive" as a location. While Hong Kong offers highly qualified talent in various industries, it is currently experiencing a skills shortage. This potential obstacle is underscored by a survey carried out in 2010, which states that "90% of employers in Hong Kong's finance industry indicate a skills shortage in the current market and 58% of them report this trend as a major and chronic shortage".

To maintain Hong Kong's position within the Asia-Pacific region, the government has been providing financial incentives since 2010 for six additional industry sectors where it sees a distinctive competitive edge. The choice of these sectors (medical services, innovation and technology, education, culture and creative services, testing and certification, and environmental industries) suggests a further "quality" positioning of Hong Kong, harnessing its position as a developed market in the region as well as the quality of its talent.

Our survey respondents perceive the strengthening of economic ties with mainland China, particularly the liberalisation and promotion of cross-border trade and investment as key criteria for the future attractiveness of Hong Kong. CEPA, the "Mainland and Hong Kong Closer Economic Partnership Arrangement" of 2003 is a central pillar of the combined effort of mainland China and Hong Kong to strengthen economic ties, including tariff-free trade in goods of Hong Kong origin, preferential treatment of Hong Kong-based service providers in mainland China for various industries as well as trade and investment facilitation. Nevertheless, according to our respondents, Hong Kong will not be truly considered a sustainable gateway to the mainland in the future until economic relations with mainland China undergo further liberalisation.

**Hong Kong has excellent living conditions, but cost of living and environmental issues pose challenges**

Living in Hong Kong is very attractive for multinational companies’ employees, given the city's proficient English, easy and convenient administrative processes, and the strong presence of Western culture, restaurants and entertainment. As other locations become increasingly attractive, our survey respondents and interviewees perceive housing and overall cost of living in Hong Kong as very high and more relevant for deciding the location of their regional offices. Hong Kong's quality infrastructure (convenient metro system, well-connected airport) is highly appreciated by participants. However, this becomes less of a unique advantage for Hong Kong as other locations, especially Shanghai, are catching up fast on infrastructure development.

Similarly, air quality was mentioned several times by our survey respondents as becoming a disadvantage for Hong Kong. According to the World Health Organization (WHO) standards, air in Hong Kong is "healthy only 41 days of the year". While respondents perceive environmental conditions in mainland China as slowly improving, they have become more critical in their perception of the situation in Hong Kong.

**Hong Kong, to maintain its attractiveness as a location for regional headquarters in the future, has to keep up its good performance and further enhance its cooperation with China**

As stated by our respondents, the key challenge for Hong Kong is to better leverage its proximity to the mainland. While our respondents recognise the benefits of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) initiatives, foreign companies still perceive various obstacles in the cooperation between Hong Kong and mainland China, namely in the areas of free trade, liberalisation of exchange with the mainland in the service industries, and access to mainland China's financial markets from Hong Kong. Cost of operations, property/rental cost, availability of office space and overall cost of living are all key issues in Hong Kong where respondents seek more incentives or
regulation from the authorities. Our respondents also highly await a better infrastructure link to the mainland. The Hong Kong government is partially addressing this with its express train project Hong Kong – Shenzhen – Guangzhou planned for 2015. Moreover, respondents regard the level of Mandarin in Hong Kong as a challenge that negatively impacts the city’s status as a gateway to the mainland. As many multinational companies perceive Hong Kong as being a base to enter China, Mandarin-language skills of local employees is a minimum requirement. Lastly, from the perspective of our survey respondents, Hong Kong could further build competitive advantage by emphasising the speed and ease of its local decision-making processes. Hong Kong authorities are considered as “simple and straightforward” when it comes to administrative processes and supporting companies in settling down.
Respondents ranked Shanghai as the most attractive city to locate Asia-Pacific headquarters. However, they also ranked Shanghai behind Singapore and Hong Kong on four out of five top selection criteria.

Despite the many advantages of established Asia-Pacific business hubs like Singapore and Hong Kong, the respondents in our survey ranked Shanghai first if they were to select a location for their Asia-Pacific headquarters today. What may sound surprising given the strengths of Hong Kong and Singapore might be explained by the high importance respondents attribute to Shanghai’s main advantage: its location in mainland China with direct access to the largest market in the Asia-Pacific region. However, the fact that the majority of respondents were China-based might partially explain Shanghai’s high score.

Clients and Markets – Shanghai, China’s wealthiest municipality, largest business hub and designated financial centre, is situated between the densely populated and industrialised Eastern coastal provinces Jiangsu and Zhejiang, which feature highly developed economies and mass export business activity. Shanghai offers optimal sourcing, manufacturing and market access for multinational companies in various industries. Our survey respondents state that having their headquarters in Shanghai also provides them with significantly better access to clients and distribution channels in mainland China. Many companies also value the fact that having their regional headquarters in mainland China brings them closer to Chinese consumers and lets them better understand their preferences. This has become an increasingly relevant competitive advantage in China’s growing domestic consumer products market, where companies face fierce competition from local brands catering to local tastes and preferences.
Human Capital – After market-related advantages, a headquarters location in Shanghai also allows companies to better access local and international talent. This advantage has become increasingly important over the past years, as competition for skilled and experienced professionals has grown fiercer. Shanghai, with its international, metropolitan appeal, is highly attractive today to well-educated young professionals both from China and abroad, thus making it one of the top labour markets in Asia Pacific. As one Shanghai-based recruiting specialist states, "Shanghai increasingly appears as a target location for highly-skilled professionals from Hong Kong, Singapore and even London and New York".

Many of the respondents quoted that "Shanghai is the place to be" or "if you want to do business in China, you have to be there [in Shanghai]". Shanghai is also recognised as being "the frontrunner in China". Some respondents even describe Shanghai as "the best place in China" or believe that "the music plays in Shanghai." Paraphrasing these personal statements, the growing local economy, the proximity to clients and markets as well as the potential of market access stand out as the city's most valuable advantages compared to non-mainland China locations.
The main challenges for Shanghai-based headquarters lie in the regulatory and tax environment, which creates less favourable business conditions compared to non-mainland Chinese locations

First, when comparing Shanghai with other peer group locations, our survey respondents indicate that its legal and regulatory environment poses a major challenge, mainly due to lower levels of perceived predictability and transparency. This in turn creates a general concern about the business environment. While the Shanghai government has increased efforts to reduce regulatory obstacles for investors, foreign companies still perceive a comparatively high level of bureaucracy, face a high number of partly unclear and fast changing regulations, and are concerned about the time-consuming administrative procedures they experience. Respondents also state that as representatives of a foreign company, they sometimes feel as though they are not treated on a level playing field with local companies in administrative processes. They feel they are disadvantaged with respect to access to information. A specific regulatory issue for headquarters of multinational companies with a large pool of international employees is the visa and work employment process. According to the majority of respondents, this is still perceived as being more complicated and time-consuming in Shanghai than in Hong Kong and Singapore. As one respondent states, "the overcomplicated visa processes deter foreign talent".

Second, a comparatively high level of both corporate and individual income taxes makes Shanghai less competitive for our respondents, especially when compared to alternative locations Hong Kong and Singapore, which enjoy a more favourable tax environment. With an up to 30% corporate income tax rate for foreign invested enterprises, Shanghai's tax level is significantly higher than Hong Kong's (up to 16.5%) and Singapore's (up to 17%). This is a major consideration in the location decision. Similarly, with a personal income tax rate of up to 45%, Shanghai is significantly less attractive in comparison to Hong Kong (up to 17%) and Singapore (up to 20%).

Limited access to international financing and restrictions on convertibility of the RMB further limit multinational companies’ scope of business

While Shanghai is working on establishing itself as one of the world's financial centres, being home to the Shanghai Stock Exchange and to many domestic and international financial institutions (see also chapter on financial services industry), several respondents in our survey state that access to financing remains a key issue in Shanghai. Given the high level of regulation, administrative complexity, and transfer restrictions that the financial services industry still faces, the market for financial products available to foreign-invested enterprises in Shanghai is still limited compared to that in peer cities in the region. In a 2009 interview, John Tan, China Head of Global Markets at Standard Chartered, recommended that "China [should] introduce a basic set of derivatives by 2015, and spend the next five years increasing liquidity, sorting out problems and improving rules and regulations". In addition, the limited convertibility of the RMB imposes further restrictions to companies operating out of mainland China. In reaction, some respondent companies that have fully moved regional or global production, research and development, marketing and sales functions to the Shanghai region, still consider it necessary to maintain their finance functions outside of mainland China.

In a heated market environment, the availability of experienced talent will become a key challenge for the future

As stated above, in many aspects Shanghai offers a very favourable business environment and is becoming increasingly attractive to highly qualified local and international talent. Nevertheless, given the high demand for qualified professionals in many industries, most respondents perceive the "war for talent" as a fundamental challenge: "There is a war for talent between local and multinational companies and local companies are becoming more aggressive trying to attract the same target group", one respondent stated. Local and multinational companies alike target the same groups for recruitment and compete fiercely for talent. Both face high salary expectations and must offer significantly better compensation packages year on year, thereby increasing their labour costs.

11) In the European Chamber Business Confidence Survey 2010 the unpredictability of regulations was mentioned as a main concern.
Talent-related obstacles mentioned by respondents differed between local and international employees. Despite Shanghai's growing attractiveness for foreign talent, senior international managers with sufficient Asia/China market knowledge and language skills remain rare. With regard to senior local managers, two key sets of skills were cited as falling short: general management skills including sufficient international exposure, and English proficiency. Survey respondents identified a gap between Chinese and European managers of about three to five years in management skills among entry and middle management positions. While acknowledging their strong technical knowledge, survey respondents felt that Chinese managers particularly need to enhance the soft skills necessary to operate at more senior levels. On English proficiency, respondents perceived the level of English of junior and middle-management employees as high, but still lagging that in places like Hong Kong and Singapore.

Obstacles with respect to human resources include the inability of domestic Chinese employees to travel in the region with ease. For example there are restrictions on Chinese nationals travelling to Japan, Korea and other neighbouring countries, and restrictions relating to the "Hukou" system for non-Shanghai residents.

**Living conditions in Shanghai have become better, but can improve further**

Shanghai, in comparison to other cities in mainland China, is described as very convenient and culturally welcoming for expatriates. The level of English spoken in daily life situations is increasing rapidly and there is wide access to international products, restaurants and recreation. With respect to infrastructure, respondents state that increasing traffic is somewhat of an issue, compared to peer group locations. The city government is making constant efforts to improve the situation by rapidly improving public transport and by building additional roads. Shanghai's two modern airports are perceived as very convenient, given the frequent regional and international travel needs of the respondents.

**To further improve the business environment for regional headquarters in Shanghai, several measures could be considered**

To further improve the business environment for regional headquarters in Shanghai, our survey respondents suggest addressing three chief challenges: Improving the overall regulatory environment and overcoming bureaucratic burdens, designing a more competitive individual and corporate taxation system, and ensuring the availability of qualified talent in sufficient numbers in the future.

With regard to the regulatory environment, providing earlier and more detailed notice of impending regulatory changes would be welcomed, as would developing the consultation process for regulatory issues facing multinational companies. Respondents would also appreciate improved coordination between different regulatory bodies where guidance and regulation can be unclear and/or contradictory. Respondents perceive a considerable bureaucratic burden on companies operating in Shanghai. To improve this situation, it is recommended that consolidated, publicly available information on initiatives aimed at encouraging multinational companies to locate their regional headquarters in Shanghai be produced and disseminated. In addition, increased coordination of decision-making and approval process between Beijing and Shanghai for certain matters would improve the speed and efficiency of the administrative process.

As discussed earlier, the level of both corporate and individual income tax makes Shanghai less competitive as a centre for regional headquarters. Striving to increase the competitiveness of corporate tax levels as well as reducing the effective individual income tax burden is recommended. Additionally, deregulating the financial services sector (see separate chapter on financial services) would have a significant impact on Shanghai as a headquarters location. Of course these measures can only be considered in coordination with the Central Government, which regulates the framework within which foreign financial services companies operate.

13) The Chinese Hukou records attributes of a household. Next to the Hukou type which regulates entitlement to certain state-provided goods and services, the place of Hukou registration defines an individual’s official and only permanent residence, thereby limiting intra-country migration. Please see Kam Wing Chan, Eurasian Geography and Economics, 2009, No. 2, pp. 197–221.
Regarding the availability of skilled and experienced talent, respondents recognise the heated labour market situation as a given in any fast-expanding economy. However, some issues should be addressed. High-impact direct measures include the expansion of domestic Chinese employees’ ability to travel with ease in the region and further relaxation of restrictions relating to the Hukou system for non-Shanghai residents. In particular, improving the opportunities for skilled professionals who are not native of Shanghai to obtain social benefits provided by the Hukou system is recommended. Moreover, an agreement with ASEAN countries should be considered, so that Chinese staff can obtain visas and travel more freely within the Asia-Pacific region.

To further improve managerial skills and English-language levels, university curricula and post-graduate programs could be further tailored to these specific business needs. Increasing the focus on managerial and English-language skills in Shanghai-specific programs could help graduates improve in these areas.

With respect to foreign managers and their families, it is recommended to make it easier to obtain working and residents visas for Shanghai. Also, permanent resident permits should not be linked to a company’s investment but instead to the tenure of residency in the city.

FINANCIAL SERVICES

Whether discussing the status quo or the future development of capital markets in mainland China, Shanghai is strongly associated with the financial services industry. As home to the Shanghai Stock Exchange (SSE), a large-scale bond and China’s only gold market, the city stands ahead of its domestic peers. Shanghai’s current status as mainland China’s leading financial centre stems from three mutually supportive developments, which found the basis for Shanghai’s aspiration to become an international financial centre by 2020, as confirmed by the PRC State Council in March 2009.

First, the re-opening of the Shanghai Stock Exchange in 1990 provided an incentive to national and international banks to operate local branches. Even though the city has a long-standing reputation as a financial marketplace, the government-driven re-establishment of the exchange can be clearly identified as a recent strategic milestone. As of December 2010, the SSE is the world’s sixth-largest stock market by market capitalisation, which has had a positive effect on China’s local financial infrastructure.
Second, Shanghai’s status as a financial centre and attractive city for domestic and international financial institutions stems from the city’s proximity to markets, businesses, and clients. As the city emerged as an internationally recognised business centre in one of the world’s fastest-growing economies, Shanghai has become increasingly lucrative for the service-driven and client-focused financial industry. During the qualitative interviews conducted to supplement this survey, executives particularly emphasised the importance of strong local economic performance: “As a bank, we follow our clients”. Moreover, respondents mentioned the possibility for international corporations to directly access the Chinese market via Shanghai whereas other Asian financial centres such as Hong Kong and Singapore do not provide the same advantage.

Third, Shanghai offers a large talent pool to both national and international companies. Although this talent pool might not be as international as those in Hong Kong and Singapore, from the respondents’ point of view Shanghai provides the most suitable talent for financial institutions in mainland China. Fostered by these circumstances, Shanghai has been chosen by some foreign financial services players as the key city to incorporate their Asia-Pacific headquarters.

Nevertheless, foreign financial institutions also meet significant obstacles when operating in Shanghai. The financial services industry needs to address four regulatory challenges relating to the non-convertibility of the RMB, the fact that regulators are located in a distant centre (Beijing), levels of individual taxation, and a number of other market restrictions. Lastly, a number of rigid market access restrictions exist for foreign companies wishing to enter the financial services market in China, which are not apparent in either Hong Kong or Singapore.

First, several executives in the financial services sector identify the RMB’s lack of convertibility as a major obstacle to Shanghai’s capacity to become an international financial centre since it complicates the funding of regional operations out of Shanghai. Therefore, an increase in the convertibility of the RMB is regarded as an important step to stabilise the outlook for the domestic and international financial industry. There have been a number of initiatives since 2010 (for instance, the pilot scheme allowing cross-border trade settlements in RMB) that indicate that the highest levels of the national government are paying increased attention to this issue.

Second, concerns were raised about the dichotomy in location between Beijing-based financial regulatory bodies and Shanghai as a financial centre. In international financial centres such as New York, London, Paris or Frankfurt, the respective regulatory bodies are located in the country's financial centre. This ensures both a short track for information exchange and communication as well as an inherent interest in the well-being of the local economy, including the financial sector. The fact that the regulatory bodies of the finance industry reside in Beijing is not only a disadvantage for Shanghai as an international financial centre, but also creates competition between the two cities. Since all significant regulatory decisions are made in Beijing and the foreign institutions want to be located close to the regulator, some financial service institutions set up their China headquarters in Beijing. Our survey respondents would welcome a higher involvement of Shanghai in shaping the national regulatory environment.

Third, Shanghai’s high income taxes for individuals and corporations particularly discourage globally flexible financial players such as financial sponsors and hedge funds to set their headquarters in Shanghai. With a personal income tax rate of up to 45%, Shanghai is significantly less attractive on a taxation basis compared to Hong Kong (up to 17%) and Singapore (up to 20%).

Lastly, a number of rigid market access restrictions exist for foreign companies wishing to enter the financial services market in China which are not mirrored in either Hong Kong or Singapore. For instance, foreign banks cannot fully enter the Chinese market via mergers and acquisitions due to a 20% ownership limit imposed on any single foreign investor into a Chinese bank (with a cap of total foreign ownership at 25%). Furthermore, foreign life insurance, fund management, and securities companies are only permitted to enter the Chinese market as part of a joint-venture with a Chinese partner with restricted foreign ownership.

In conclusion, Shanghai is regarded as a major financial centre in mainland China. In addition to its financial infrastructure, including the stock exchange and bond market, foreign financial institutions also find attractive Shanghai’s strong economic momentum and the Chinese market entry opportunities it offers. Yet Shanghai’s goal to become an international financial centre by 2020 is undermined by current bureaucratic burdens, regulatory obstacles, and monetary challenges. When assessing the comparative advantages of each city, respondents concluded that both Hong Kong and Singapore provide more stable and business-friendly regulations and thus serve as regulatory benchmarks for Shanghai. For Shanghai to achieve its 2020 strategy and become an international financial centre, our executive interviews revealed in particular the need to decrease the level of bureaucracy, implement stable and reliable regulations, and adopt international monetary and transparency standards as suggested by the International Monetary Fund.15

MARITIME TRANSPORTATION

Driven by China’s roaring economy, the Shanghai port especially benefited from strong GDP growth rates and finally overtook Singapore as the largest global port by standard containers TEU in 2010. An annual turnover of 29.05 million TEU16 earns Shanghai the leading position among global ports and establishes Shanghai as the leader in volume terms against competition from Hong Kong, Shenzhen and Guangzhou as well as international ports in Singapore and Rotterdam. Accordingly, Shanghai is on its way to become a significant international maritime centre. However, in contrast to its international peers, Shanghai achieves its turnover nearly exclusively

15) For further details on market access restrictions in this sector please see the financial services section of the European Business in China Position Paper 2010-2011.
16) Port Technology International.
through domestic shipping. Hence, the strong status of Shanghai’s port is primarily related to the robust economic momentum in China as well as the economic strength of the Shanghai metropolis. However, Shanghai port’s current regulatory and operational characteristics demand particular improvements to ensure that it can advance into the league of truly international shipping centres like Singapore and Hong Kong. If improvements are not made, it might simply remain a very large port serving domestic Chinese in- and outbound cargo.

Shanghai has gained a strong position in maritime transportation and actively laid a solid foundation for growth in the shipping industry over the past years. This was achieved mainly by bringing infrastructure in line with international standards, improving services and facilities, striving for higher productivity and scalability, and a persistent business mindset. The local government explicitly fostered this development, by continuously expanding port facilities and by founding public/private partnerships to operate new terminals. The latest and most important achievement of those partnerships was the construction of the Yangshan deep-sea port in the peripheral area of Shanghai, which ensures that Shanghai remains accessible even for the largest state-of-the-art container ships.

However, foreign players in the Chinese maritime transportation market face severe challenges as trans-shipment is currently restricted to local companies and the positive development efforts are generally geared towards Shanghai becoming a strong domestic harbour rather than an international maritime centre. Since developing the domestic maritime industry is of major interest to the Chinese Central Government, the shipping industry was consequently not part of the discussions between the Chinese Government and the World Trade Organization (WTO) on a decrease of market foreclosure. The exclusion of foreign players from port-related business activities such as trans-shipment and “feeder services” further comforts the large contribution of domestic business to Shanghai’s current track record and manifests Shanghai’s status as “non free port”. A direct comparison of Shanghai with Hong Kong and Singapore as international maritime centres might be misleading given Shanghai’s explicitly domestic orientation. The difference in strategic focus cannot be overlooked.

Regardless of the current, rather narrow domestic focus, local authorities aim to establish Shanghai as a world-class shipping centre by 2020 and continuously strive for more internationalisation. To achieve this goal, modernising the current legislation to open the market to foreign players is necessary. A global industry such as the logistics sector requires reliable and predictable local regulations. Hence, existing regulations need to be aligned with international standards to allow comprehensive benchmarking and thus decrease the direct governmental influence on operating activities and procedures. Examples of issues to address through new regulations include the liberalisation of trans-shipment, the resolution of paperwork-related delays for ships in transit – which can take two-to-three days – allowing foreign companies to hire Chinese seafarers, and addressing the priority berthing privilege granted to local companies. These example measures, which could become part of the local government’s agenda, are of a confronting nature though since they are at odds with some of the central governments’ regulations and are strongly opposed by the local maritime industry.

Increasing accessibility of the Shanghai port to foreign companies could tremendously increase the port’s container turnover and add lucrative levers to its current business activities. Shanghai’s international standing as a leading business centre in China would be further enhanced by a port that operates internationally and which attracts foreign companies. With these recommendations put into action, Shanghai would not only sustain its position as the largest port in the world, it could further expand its capacity and thus fully harness the enormous potential of the logistics industry.
In light of a continuing global economic shift eastward, the Asia-Pacific Headquarters Study 2011 reveals three major findings for multinational companies intending to establish and promote operations in the Asia-Pacific region. It shows the popularity of Singapore, Hong Kong and Shanghai as regional headquarters locations, highlights the attractiveness of Shanghai as it offers the best proximity to the Chinese market, and gives a generally positive outlook for the whole region while pointing out several areas for improvement.

The survey results confirmed the popularity of Singapore, Hong Kong and Shanghai and further confirmed their leading position among Asian cities as major business centres. Based on the assessment of 15 major Asia-Pacific cities, these three stand clearly ahead of their peers. However, in the survey it becomes obvious that despite their common high assessments, Singapore, Hong Kong and Shanghai enjoy different competitive advantages. While Singapore and Hong Kong perform best in the field of regulations, administration and transparency, as well as political and tax environment, Shanghai was evaluated best in terms of proximity to markets and clients as well as on production-related criteria such as lower operational costs and production facilities. One reason for this might be that market access to China plays a key role in the city's assessment given China's great economic importance to the European business community. Nevertheless Shanghai achieved a rank of third behind Singapore and Hong Kong when assessed purely on other key criteria including favourable administrative, tax, legal and regulatory environment as well as stable and favourable political environment, as it scored notably lower on these four out of the five criteria considered most important.

The whole region provides enormous potential for multinational companies to expand their operations to the East. The sustained economic strength of the Asia-Pacific region is highly attractive to foreign companies and encourages them to incorporate locally. In order to fully exploit the given market opportunities and to cope with regional specificities, multinational companies plan and execute their market entry locally. However, when it comes to a final decision of where to locally incorporate, the outlook varies based on several factors. China’s underlying economic momentum offers huge market potential. Shanghai has developed rapidly over the past two decades and is likely to continue its path of steady modernisation. Nevertheless, the current political environment precludes a predictable estimation of short-term developments. Particularly in the fields of regulation and administration, which demand the most urgent improvement in order to further increase Shanghai’s attractiveness to foreign companies, the outlook is unclear as the city does not have prerogatives on national-level decisions. On the other hand, the city's "hardware" such as infrastructure and education has room for improvement. This will be achieved through concrete governmental action plans.

Bolstered by the high market potential of the world's fastest-growing region, the strategic imperative of expanding operations to the Asia-Pacific region will continue to gain momentum and the subsequent question of where to incorporate locally will remain of the highest importance.

LOOKING AHEAD
The governments of Singapore, Hong Kong and Shanghai have encouraged foreign enterprises to set up regional headquarters by introducing different incentives. The incentives can be directed at foreign direct investment in general or regional headquarters in particular. Looking at the top three locations for regional headquarters – Singapore, Hong Kong and Shanghai – the following relevant incentives can be detected.

In Singapore, foreign enterprises are attracted by favourable ownership provisions, easy transfer of funds and profit repatriation, a fast and easy incorporation process as well as tax incentives. Tax incentives apply to the overall tax level as well as to taxation in general providing tax relief for up to five years in applicable cases. Furthermore, dividends received by regional headquarters or paid out by regional headquarters are not taxed. In terms of trade regulations, regional headquarters in Singapore are treated as local companies with regard to Free Trade Agreements (FTAs) and are eligible for full FTA benefits.

All entities incorporated or registered in Singapore that provide corporate support and headquarters-related services and business expertise on a regional or global basis are considered regional headquarters.\(^{17}\)

As for Hong Kong, regulatory incentives applicable to foreign companies’ regional headquarters include tax advantages such as tax free dividends received by or paid out by regional headquarters. Other advantages include business support and assistance by government institutions for setting up regional headquarters in Hong Kong as well as ongoing consultation and government funding schemes, especially for SMEs.

Regional headquarters according to Hong Kong government requirements is an office that has managerial control over offices in the region (i.e. Hong Kong plus one or more other places) on behalf of its parent company located outside Hong Kong.\(^{18}\)

In 2008 Shanghai released the "Provisions on Encouraging the Establishment of regional headquarters by Multinational Corporations Issued by the Shanghai Municipal People's Government" to address the benefits of setting up regional headquarters in Shanghai. These include eligibility for specific subsidies (e.g. start-up and rental) and rewards (e.g. for exceptional contributions to economic development), customs clearance facilitation, facilitating fund management and simplifying entry and exit procedures as well as the simplifying employment

\(^{17}\) Singapore Economic Development Board.  
\(^{18}\) Hong Kong Government.
permit procedures and facilitating the application for the Shanghai Hukou for local employees of foreign companies’ regional headquarters.

However, to be eligible for the status of regional headquarters in Shanghai, companies must meet the following requirements:

- "The total assets of the parent company are no less than 400 US million
- The accumulated paid-in capital invested in the parent company within China is no less than 10 US million and the number of enterprises to be managed inside or outside of China under the management of the regional headquarters with authorization of the parent company is no less than three, or the number of enterprises inside or outside of China under the management of the regional headquarters with authorization of the parent company is no less than six
- The registered capital of the managed company is no less than 2 US million"

While the newly introduced incentives for regional headquarters in Shanghai are attractive, investment requirements pose an important challenge for potential investors. That can act as a deterrent, Shanghai’s potential to attract more regional headquarters may suffer as a result.

## COMPARATIVE FACT SHEET

<table>
<thead>
<tr>
<th>Fact</th>
<th>Unit</th>
<th>Singapore</th>
<th>Year</th>
<th>Value</th>
<th>Hong Kong</th>
<th>Year</th>
<th>Value</th>
<th>Shanghai</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Inhabitants</td>
<td>[Persons m]</td>
<td>4.99</td>
<td>2009</td>
<td>7.00</td>
<td>2009</td>
<td>19.21</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 GDP (per head)</td>
<td>[EUR]</td>
<td>29,510</td>
<td>2009</td>
<td>21,139</td>
<td>2009</td>
<td>8,499</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Size</td>
<td>['000 km]</td>
<td>7.10</td>
<td>2009</td>
<td>1.10</td>
<td>2009</td>
<td>6.34</td>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Tax rates (corporate)</td>
<td>[%]</td>
<td>17</td>
<td>2010</td>
<td>15-16.5</td>
<td>2009</td>
<td>24-30</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Tax rates (individual)</td>
<td>[%]</td>
<td>0-20</td>
<td>2011</td>
<td>2-17</td>
<td>2009</td>
<td>5-45</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Top 5 investing countries</td>
<td>[Country]</td>
<td>United States, United Kingdom, Netherlands, Japan, Switzerland</td>
<td>2008</td>
<td>Mainland China, British Virgin Islands, Bermuda, United States</td>
<td>2008</td>
<td>Hong Kong, Japan, Germany, United States, Cayman Islands</td>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Number of RHQ (own definition)</td>
<td>[#]</td>
<td>n.a.</td>
<td>2009</td>
<td>1,252</td>
<td>2009</td>
<td>319</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Number of universities</td>
<td>[#]</td>
<td>3</td>
<td>2009</td>
<td>8</td>
<td>2009</td>
<td>66 (institutes of higher educ.)</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 University graduates (per year)</td>
<td>[#]</td>
<td>12,258</td>
<td>2009</td>
<td>24,272</td>
<td>2008/2009</td>
<td>126,900</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Air pollution (nitrogen dioxide per day)</td>
<td>[Microgr. per cubic meter]</td>
<td>22</td>
<td>2009</td>
<td>50</td>
<td>2009</td>
<td>53</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Airports (passengers per year)</td>
<td>[Persons m, departures]</td>
<td>18.06</td>
<td>2009</td>
<td>14.30</td>
<td>2009</td>
<td>28.90</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Port (annual tonnage)</td>
<td>[TEU m]</td>
<td>25.87</td>
<td>2009</td>
<td>21.04</td>
<td>2009</td>
<td>25.00</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Foreigners</td>
<td>[Persons m]</td>
<td>1.31</td>
<td>2010</td>
<td>0.34</td>
<td>2006</td>
<td>0.15</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Foreigners</td>
<td>[%]</td>
<td>26.27</td>
<td>2010</td>
<td>4.85</td>
<td>2006</td>
<td>0.78</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Unemployment rate</td>
<td>[%]</td>
<td>2.3</td>
<td>2010</td>
<td>4.6</td>
<td>2010</td>
<td>4.3</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Labour force</td>
<td>[Persons m]</td>
<td>3.03</td>
<td>2009</td>
<td>3.68</td>
<td>2009</td>
<td>10.64</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Office space</td>
<td>[Sqm '000]</td>
<td>5,630</td>
<td>2009</td>
<td>n.a.</td>
<td>2009</td>
<td>1,350</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Internet bandwidth</td>
<td>[World rank]</td>
<td>14</td>
<td>2010</td>
<td>2</td>
<td>2010</td>
<td>80</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Households connected to the internet</td>
<td>[Accounts m]</td>
<td>0.95</td>
<td>2010</td>
<td>2.12</td>
<td>2010</td>
<td>4.70</td>
<td>2009</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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23) Exchange rates as of March 18th, 2011.
METHODOLOGY

General information

The European Union Chamber of Commerce in China (European Chamber) in cooperation with Roland Berger Strategy Consultants conducted its first Asia-Pacific Headquarters Study 2011 in order to shed light on where international companies have located their Asia-Pacific operations. As the importance of the Asia-Pacific region for international companies increases, the question will take on greater significance vis-à-vis multinational strategies. The present study focuses on identifying key criteria for the location of Asia-Pacific regional headquarters and subsequently evaluating the performance and attractiveness of various major Asia-Pacific cities based on the most important criteria. The European Chamber acted as project leader and Roland Berger as intelligence and knowledge partner. The participating members of the European Chamber are executives of multinational companies with strong track records in the Asia-Pacific market. Their experience has been collected through both a written quantitative survey as well as personal interviews and were subsequently analysed with a comprehensive approach consisting of quantitative and qualitative research as well as external intelligence.

Quantitative survey

The survey of the Asia-Pacific Headquarters Study 2011 was conducted using a quantitative questionnaire. Members of the European Chamber were invited to participate in an online survey and to share their opinions and experience on the survey's major focus: performance and attractiveness of Asia-Pacific cities as regional headquarters locations. The comparative survey then focused in particular on the characteristics of the three major players revealed: Singapore, Hong Kong and Shanghai. It explored the competitiveness of Shanghai as a headquarters location versus Hong Kong and Singapore. Around 1600 European Chamber members were invited to participate and 67 responded.

Qualitative interviews

The qualitative interviews aimed at refining and deepening the objective insights gained through the quantitative online survey. The European Chamber and Roland Berger conducted approximately 15 interviews with senior representatives of European business in China. The interviewees uniformly demonstrated in-depth business experience in the Asia-Pacific region and represented a broad array of industries.
ABOUT STUDY PARTICIPANTS

The international network of the European Chamber allowed for a diverse and enriching participant basis for the Asia-Pacific Headquarters Study 2011. Beginning with the characteristics of the respondents' employing companies, mainly large multinational companies in various industries were represented in the online survey. Nearly half of them employ more than 10,000 people worldwide. Approximately 54% reported annual earnings above 1.1 EUR billion and thereby confirm the strong representation of large multinational companies.

Nevertheless, small and medium enterprises were also well represented with approximately one-third of the companies employing less than 1,000 people.
Consistent with their membership of the European Chamber, three-quarters of the surveyed companies have their global headquarters in Europe. Of this group, Germany accounts for the largest share.

Moreover, one-half of the companies are registered in Asia Pacific under the legal entity of a wholly foreign owned enterprise (WFOE). The rest operate either as joint ventures or subsidiaries.

Some 41% of individuals who responded are located in Shanghai and 31% in Beijing. Their companies’ regional headquarters are more evenly distributed with the majority in Singapore, Shanghai and Hong Kong. The fact that the majority of respondents were China-based might be one explanation for Shanghai’s high score. Moreover, the results show that three-quarters of the respondents already located in Shanghai are satisfied so far with their choice of location for their headquarters. Yet, Shanghai’s high score might simply reflect that many enterprises regard the proximity to markets and clients as far more important than other criteria.
ABOUT ROLAND BERGER STRATEGY CONSULTANTS

Background

Roland Berger Strategy Consultants, founded in 1967, is one of the world’s leading strategy consultancies. With roughly 2,000 employees working in 39 offices in 27 countries worldwide, it has successful operations in all major international markets. The strategy consultancy is an independent partnership exclusively owned by about 200 Partners. The Chinese market is a key pillar of Roland Berger Strategy Consultants’ international expansion. Since its entry in the Chinese market in 1984, the consultancy has grown rapidly. Its four Chinese offices (Beijing, Hong Kong, Shanghai, and Taipei) now have over 240 consultants dedicated to working extensively with both leading Chinese and international companies.

Roland Berger Strategy Consultants is committed to three core values:

- **Entrepreneurship**: We are a network of entrepreneurs who provide pragmatic and practical solutions.
- **Excellence**: We achieve excellent results and develop global best practices for measurable and sustainable success.
- **Partnership**: We build trust-based relationships in our company and with our clients, and we are committed to constructive teamwork.
Services
Since entering China, Roland Berger Strategy Consultants has been committed to providing high-quality consultancy services for Chinese clients, including large and mid-sized state-owned enterprises, joint ventures, private companies and government institutions. Roland Berger Strategy Consultancy's core competencies range from strategy development over restructuring to marketing management. Based on this market knowledge, it helps multinational corporations, investment funds and international organisations understand Chinese market development trends, design global business operations, formulate market entry strategies and product and service positioning, and implement sourcing strategies. These capabilities help its clients to improve their global competitiveness and obtain better development opportunities in China.

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ABOUT THE EUROPEAN CHAMBER

Purpose
- As the independent voice of European business in China, we seek greater market access and improved operating conditions for European companies

Services
- We provide European business with an effective communication and lobbying channel to the European and Chinese authorities, business associations and media
- We ensure our key recommendations and lobbying strategies are shaped by business through our members’ Working Groups
- We monitor China’s compliance with the World Trade Organization and other international commitments which impact on doing business in China
- We support companies by providing a platform for the exchange of information on business and market conditions in China
- We help companies expand their networks of European and Chinese business contacts
- We promote sharing of knowledge and experience between European and Chinese business

Principles
- We are an independent, non-profit organisation governed by our members
- We work for the benefit of European business as a whole
- We operate as a single, networked organisation across mainland China
- We maintain close, constructive relations with the Chinese and European authorities while retaining our independence
- We seek the broadest possible representation of European business in China within our membership: large, medium and small enterprises from all business sectors and European Member States throughout China
- We operate in accordance with Chinese law and regulations
- We treat all our members, business partners and employees with fairness and integrity

General background
The European Union Chamber of Commerce in China was originally founded by 51 member companies based in China on October 19, 2000. The rationale for establishing the Chamber was based on the need of the European Union and local European businesses to find a common voice for the various business sectors. The European Chamber now has a total of more than 1,600 members in seven chapters: Beijing, Chengdu, Nanjing, Pearl River Delta (Guangzhou and Shenzhen), Shanghai, Shenyang and Tianjin. The Chamber is recognised by the European Commission and the Chinese authorities as the official voice of European business in China.

The European Chamber is an independent member-driven, non-profit, fee-based organisation with a core structure of 28 Working Groups and six Forums representing European business in China. The Chamber is directed by a President and an Executive Committee elected each year by and from its members.