metre national distribution centre in Shanghai's Jiuting Town, part of the Songjiang Export Processing Zone. The centre allowed Maersk to capitalise on its parent's core shipping business, with convenient links to Shanghai's outer expressways, key ports, Pudong International Airport and other distribution channels.

Shanghai port locations could be troublesome

In July, however, the municipal government-backed Shanghai International Port Group decreed that all shipping lines, both domestic and foreign, operating routes from eastern China to Europe must relocate all their European services to the city's new US$12bn Yangshan Deepwater Port development. This instruction affected all container-shipping lines, including Maersk, which currently uses Shanghai's Waigaoqiao port at the northern end of the Pudong New Area. Maersk is one of the largest companies operating European routes out of Shanghai. But while Maersk's Songjiang base may be convenient for Waigaoqiao, it is not the perfect location to service Yangshan, some 40 km away to the south. The upshot is that operations such as Maersk will need to establish another base near Yangshan to support the operations of their shipping arms. Given that shipping routes to Japan, South Korea and south-east Asia will still use Waigaoqiao, this will mean increasing costs.

Grandiose ideas

The central government looks at the big picture

Maersk's story is a cautionary tale for companies that overlook the desires of local governments to support their own grandiose infrastructure projects. US-based delivery company Federal Express, however, is an example of a company that is both benefiting from such expenditure and the central government's belief that what is good for the economy is good for China—even if it sometimes hurts the interests of Chinese companies.

FedEx has been running a major operation in China since 1995, when it secured rights to operate its own aircraft, manned by FedEx crews, between China and the US. Now, China's regulatory liberalisation is allowing the company to change and expand these operations. After conducting its northern China business in partnership with domestic logistics company DTW, it is now free to dissolve this joint venture and either integrate its operations into FedEx's wider Chinese business or turn it into a wholly foreign-owned enterprise.

FedEx has yet to announce what it intends to do with the current arrangement, but it has been expanding and developing its China hub at Guangzhou's new US$2.4bn Baiyun International Airport. FedEx, whose global network is built around a number of hub locations, announced in mid-2005 that it would be moving its Asia-Pacific hub from Subic Bay in the Philippines to Baiyun by 2008. Guangzhou's importance stems from the successful agreement on an "open skies" arrangement the US and China signed in 2004. As a result, FedEx received 12 additional rights from the US transportation department to fly cargo aircraft to and from China. Currently FedEx is the only logistics company offering direct flights between the US and the PRD, via Shenzhen.

All about exports

China granted these concessions to US carriers despite the fact that Chinese companies are not able to take similar advantage of the agreement. The reason for this is simple: China's airfreight fleet remains tiny—just 30 dedicated aircraft. But with the US being China's biggest single export market, and its appetite for Chinese goods showing no signs of being sated, the Chinese government clearly prefers to keep the goods flowing rather than worry about whose companies are carrying them. That FedEx opted to move from the Philippines to Guangzhou was an extra bonus that further seemed to justify China's decision.

Of course, moves like FedEx's will continue to facilitate the transport of goods out of the country rather than within it. But the more salient point for foreign companies in these reforms is the Chinese government's willingness to put the interests of the economy in general above those of particular companies. Expect China's liberalisation measures of the past few years in the logistics industry to be sustained and extended.

Still in the rough

The success of golf tournaments in China belies the tepid state of the country's golf business

Tiger Woods played in an official international golf tournament in China for the first time this month. It was a big one—the HSBC Champions tournament in Shanghai, the richest golf event ever held in Asia with a US$5m purse. This coupling of cash and the world's top player brought the buzz surrounding the growth of golf in China to a crescendo. Zhang Lianwei, China's most successful pro golfer, said Mr Woods's presence "moved China golf forward by ten years."

Hot ticket

China is emerging as a hot ticket for international golf tournaments. This year alone, the mainland and Hong Kong hosted five European Tour events—more than Scotland (four) or England (three). But golf in China is all big-money tournaments and almost no growth at the grass-roots level. Events like the HSBC tournament create great exposure for the game in China, but nearly everything about them is foreign. They include few Chinese golfers, even fewer domestic sponsors and lukewarm government support. Domestic media coverage is also perfunctory at best, though a gallery of some 5,000 people followed Mr Woods during the HSBC Champions' final day.

"People are saying what a great year it has been for Chinese golf—I disagree," says Nick Mould, senior vice president of Singapore-based World Sport Group. "It has been a great year for golf in China, but not for Chinese golf. This is not sustainable, because nothing is left behind." He pointed to two high-profile tournaments in China prior to the HSBC—the BMW Asian Open and the Johnnie Walker Classic—where out of US$3.8m in prize money, less than US$50,000 ended up in the pockets of Chinese golfers.

This year World Sport Group teamed up with the China Golf Association to launch the China Tour, a domestic professional golf competition that China was "desperate for", according to Mr Mould. World Sport Group spent more than US$1.2m on the first season. The co-organisers had the help of a single sponsor, Mizuno, a Japanese golf-equipment brand. The inaugural season included four tournaments, each with US$100,000 in prize money. By 2008 the tour hopes to have ten tournaments and US$2m spread among them.

Chinese professional golfers have received the China Tour enthusiastically, as only a handful of Chinese golfers are good enough—or wealthy enough—to travel and compete internationally. By contrast, Chinese companies have been slow to rally behind golf, a fact brought up by Mr Zhang—the only mainland golfer to win a European Tour event—in an emotional press conference during the BMW Asian Open in May. "Wherever I go, people look at me and think I represent China," he said. "But they don't know that I haven't received support from China."

Few Chinese golfers

It is not hard to see, however, why few domestic companies are running to Mr Zhang's aid. The fact remains very few Chinese are interested in golf, and it is unclear when companies might see a return on their investment. *Asian Golf Monthly* magazine estimates that although growing, there are only around 200,000 golfers in China (and a good number of them are probably foreigners). While cities like Shenzhen, Beijing and Shanghai can sustain their existing number of courses, the golfing population in the rest of the country is just too small even to fill the existing facilities.

China's first golf course was completed in 1984, and only 15 more followed over the next decade. Then the boom really took off on the back of the country's surging economy, bringing the total today to some 350 courses in more than 200 facilities. In particular, Shanghai, Beijing and Guangzhou almost seemed to be racing each other to flaunt their new wealth by building as many manicured greens as they could (not unlike buying luxury cars and drinking red wine). The Chinese government, however, ordered a halt to golf-course construction in 2004, worried about the inefficient allocation of economic and natural resources, brazen land grabs and the exacerbation of water shortages, particularly in northern China.

Golf courses mirror China's rich-poor gap

"The challenge that the government faces with golf in China is that it's still a very elitist sport," says David Townend, general manager of Sheshan International Golf Club in Shanghai, the site of the HSBC tournament, where permanent membership costs US$148,000. "A lot of golf courses are being developed in very poor rural areas. You've got wealth and poverty living next door to each other."

Of course, it is this wealth—and the promise of more of it—which has already brought most of the world's major golf brands to China. But even if the market does grow as most expect it will someday, there are other hazards to be dealt with. One in particular is China's rampant trade in counterfeit golf equipment. More than 90% of the fake golf-club sets sold throughout the world are manufactured in China. Foreign brand owners say it is impossible to put a figure on the dollars lost due to the fakes.

Can the game of golf unlock China's market potential? That depends on whether it can shed its elitist image and become accessible to the masses. (Whether this is high on Chinese people's own list of priorities is another matter.) If the sport's backers want to see golf grow in China, they should, among others, make sure that more public courses are opened with discounted rates, as well as help establish a nationwide juniors programme to foster local stars, who can fire up Chinese sports fans' imagination. Many Chinese professionals playing today stumbled into golf. For example, Mr Zhang, 40, is a self-taught former javelin thrower.

Secret pleasure

Government officials are avid golfers

What might help even more, though, is if some of China's better-known golfers came out of the closet. Many government officials golf regularly, but they do so in secret because the regal game of golf runs counter to everything the Communist Party has stood for. So the political elite are still waiting for a signal telling them that playing the game is acceptable. When asked what would happen if, say, China's president, Hu Jintao, was photographed enjoying a day on the links, one course manager predicted, "there would be one million new golfers in China the following day."