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FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

NEWSLETTER | 22 APRIL 2014

One-line news

Announcements   EU SME Centre article: Business with a Cause

Advertisements   Hainan Airlines, your direct link from Belgium to China

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FCCC ACTIVITIES

FCCC Conference: “Doing Business with Belgium” – 14h30, 24 April 2014 – Shangri-La Hotel, Qingdao

The Flanders-China Chamber of Commerce (FCCC) and the China Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council are organizing a conference: “Doing Business in Belgium: Flanders” on Thursday, 24 April 2014 at 14h30 at the Shangri-La Hotel in Qingdao, Shandong province. Address: 9 Xiang Gang Zhong Lu, Qingdao, 266071, China. This session is organized with the support of the Port of Antwerp, the Province of East Flanders, Ghent University and Dewolf & Partners.

Programme:
Registration

Welcome by Mr FENG Wenqing, Chairman China Council for the Promotion of International Trade – Qingdao

Introduction on the Trumps of Belgium – Flanders by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

“Movie: Flanders, Small Size, Big Opportunities”

“Antwerp, heart of Europe’s shipping & logistics Industry and gateway to 250 million consumers” by Mr Luc Arnouts, Chief Operating Officer, Port of Antwerp

“Study at Ghent University: education and research” by Mr Domien Proost, Chief Representative Beijing Office, University of Ghent and Province of East-Flanders

“Investing and doing business in Belgium – Legal aspects” by Mr Jacky Sun, Associate, Dewolf & Partners

Followed by exchange of views and networking reception.

If your company is interested in sponsoring this event, please send an e-mail to: info@flanders-china.be.

Panel Discussion with Captains of Industry – Results Sino Belgian Business Survey 2014 – 24 April 2014 – Ghent

A record 22 million in new auto sales, GDP growth declining to the lowest level in 24 years… In a country that recorded the worst performing stock market in Asia, while at the same time achieving record retail sales, it’s difficult to see just how companies in China performed in 2013. Moore Stephens, together with the Flanders-China Chamber of Commerce (FCCC) are organizing a discussion on the results of this year’s survey with a panel of captains of industry and independent pundits in Ghent on April 24.

Date and venue: Thursday 24 April 2014, Ghent Marriott Hotel, Korenlei 10, 9000 Gent

Programme:
16h00 – 16h30: Welcome & Registration
16h30 – 16h50: Opening Speech by Catherine Vuylsteke (Author, Journalist, Film Maker, China Expert)
16h50 – 17h30: Captains of Industry panel discussion moderated by Andries Verschelden (Partner, Moore Stephens)
Panel members:

- William Gu, Vice President Global Commercial Management Volvo Construction Equipment

- Patrick Van Overloop, KBC General Manager Asia Pacific
- Paul Van den Bulcke, Director at Taminco
- Geert Roelens, CEO Beaulieu Group

17h30 – 17h45: Q&A session
17h45 – 19h00: Networking opportunity, drinks and hors d'oeuvres

Price: Members FCCC: €30 Non-Members : €45
Register here

ACTIVITIES

The Future of EU/China Trade and Investment Relations – Monday 12 May 2014 – Brussels

15.00 - 18.00 - Conference, followed by a drinks reception
Together with the EU-China Business Association, King & Wood Mallesons is pleased to be hosting this conference, which will be joined by Minister Zhang Kening who is responsible for Economic & Commercial Affairs at the Mission of the People's Republic of China to the EU, and Mr Rupert Schlegelmilch, Director for Services and Investment, Intellectual Property and Public Procurement at the Directorate General for Trade of the European Commission and Chief Negotiator of the EU China Investment Agreement, as keynote speakers for this event.

Venue: The Stanhope, Rue du Commerce 9, B-1000 Brussels
Timetable
14.30 Registration and coffee
15.00 Conference commences
18.00 Drinks reception
Further Information: Joanna Morley
E: joanna.morley@eu.kwm.com
T: +44 (0)20 7111 2037

Cross Cultural Communication – 13 May 2014 – Brussels

The Brussels Diplomatic Academy is organizing a workshop which will immerse you in intercultural communication exercises via real life anecdotes and role plays (a.o. based on the work of Paul Verluyten, Hofstede and other cross cultural experts). The workshop content will be adapted according to the participants' learning objectives. This training is of particular relevance to top and middle management, diplomats, national and international civil servants and government officials.

Date: 13 May 2014, from 14.00 h. to 18.00 h. at Pleinlaan 5, Karel Van Miert Building, 1050 Brussels.

Save 50% reduction via KMO Portefeuille (more information on www.kmo-portefeuille.be).

Download our training brochure.

For more information: bda@vub.ac.be.

17th China Chongqing International Investment and Global Sourcing Fair – 15 to 18 May 2014 – Chongqing

The 17th China Chongqing International Investment and Global Sourcing Fair will be held from May 15 to May 18 in Chongqing. This fair is the most important event in terms of the promotion of trade and investment in Chongqing, and a lot of activities will be held on the occasion of this event, such as three fairs related to outbound and inbound investment, global sourcing, and imported consumption goods, high level forums, and some matchmaking meetings. The Fair can help you to get to know the city of Chongqing better and to find business opportunities in Chongqing. For VIP guests, the local organizer will cover their fees for accommodation, meals, etc.

Seminar: Protection of business, economic and national interests – 5 June 2014 – Vilvoorde

Voka Halle-Vilvoorde, Voka Metropolitan and the Brussels Diplomatic Academy of the Free University of Brussels are organizing a seminar on the protection of business, economic and national interests, on company and state secrets and how they are protected.

Thursday 5 June 2014, 14h00 – 18h00 at Voka Chamber of Commerce Halle-Vilvoorde – Medialaan 26 – 1800 Vilvoorde – parking in the business park.

Price: Members Voka Halle-Vilvoorde and Voka Metropolitan: €125, Non-members: €190. An attendance certificate issued by the VUB will be available. Companies based in Flanders can use KMO-Portefeuille.

China Europa – 16~18 September 2014 – Shenyang

China Europa, the essential business gathering between Europe and China, is a key event focusing on commercial relations between Europe and China in the field of sustainable urban development, and offers European and Chinese companies and territories a unique opportunity to meet and to develop efficient economic links, in optimal conditions. It guarantees fruitful and constructive encounters with a number of qualified and targeted contractors and suppliers. It is also an opportunity to identify new development opportunities in Europe and in China and to benefit from exchanged expertise and good practice via a programme of conferences and themed workshops. The leading Chinese and European economic authorities consider China Europa to be the leading event in Sino-European business relations and exchange in the field of sustainable urban development. By providing extensive support towards the business convention's organization, these bodies assert their will to reinforce productive cooperation that will contribute towards shaping tomorrow's sustainable towns and cities.

More information on the event is available at: http://www.china-europa.org/rendez-vous-incontournable-business-europe-chine-china-europa-2014-en.asp

PAST EVENTS

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials was organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair took place on 1 April at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers was held.

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders – has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) received a personal invitation to visit the Graduate Fair. The job market was also advertised through the Chinese interuniversity student council. The purpose of the Fair was to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals.

NOTICE

Sponsorship opportunities

The Flanders-China Chamber of Commerce (FCCC) offers several sponsorship opportunities to give companies more exposure to potential new clients and collaboration. Opportunities are available in our weekly newsletters, quarterly Chinese newsletters, our new website, our conferences and meetings with Chinese delegations.

If you are interested in obtaining more information about the sponsorship opportunities, you can download the detailed information at the following link : www.flanders-china.be/sponsorship_opportunities_2014.doc

PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

See FCCC Members' Portraits on the FCCC website.

FINANCE

China issues rules on banks' sale of preferred shares

China published detailed rules on the issuance by commercial banks of preferred shares, paving the way for lenders to begin fundraising designed to enable them to withstand an expected rise in bad loans. Chinese banks are facing pressure to raise funds after the banking regulator began phasing in stricter capital adequacy requirements (CARs) last year in line with Basel III rules. Preferred shares enjoy seniority over common stockholders in the event of bankruptcy, and typically do not trade on the open market, carry no voting rights and do not dilute net profits attributable to shareholders. In order to protect the interests of ordinary investors, preferred shares issued to the public must not contain provisions that allow them to be converted to common equity, under the guidelines published on the China Securities Regulatory Commission (CSRC) microblog. In private placements, however, preferred shares must include such provisions, which forces conversion of preferred shares when the bank's financial condition deteriorates, the guidelines said. Commercial banks applying to sell preferred shares must already have a core capital adequacy ratio above the minimum standard.

- Tencent is scouting for innovation opportunities in internet finance in the Qianhai Economic Zone in Shenzhen as the company has won a license to set up a private bank. Tencent is also hiring senior managers to develop the new bank’s strategy.
- China has issued stricter guidelines governing trust companies in a bid to counter systemic risks. The new rules issued by the China Banking Regulatory Commission (CBRC) aim to reduce liquidity risks associated with off-balance-sheet wealth management products (WMPs) by forbidding trusts from operating so-called fund pools that enable them to fund cash payouts on maturing products with the proceeds from new WMP sales. The guidelines also require trust companies to develop clear mechanisms for shareholders to provide emergency support to the trust firm during periods of liquidity stress.
- China’s money supply in March grew at its slowest pace in 13 years while total social financing in the first quarter shrank from last year, the People’s Bank of China (PBOC) announced. M2 increased 12.1% year-on-year in March, the slowest since May 2001 and below the 13% growth target for this year. Analysts attributed the slowdown to the cooling in fundraising activities and a high base figure last year. Total social financing was CNY5.6 trillion in the first quarter, CNY561.2 billion less than in the same period of last year.
- Hong Kong Monetary Authority Deputy Chief Executive Arthur Yuen said that Hong Kong banks' HKD2.6 trillion exposure to mainland borrowers is manageable and the Authority has taken steps to make sure it stays that way. He said that half of the loans went to state-owned enterprises (SOEs) and 31% to the mainland branches of large international firms. Only 19% went to the mainland's private enterprises, the borrowers most exposed to a downturn in the economy.
- The U.S. Treasury Department has said China cannot be considered a currency manipulator, but said the pace of the yuan’s appreciation has been insufficient. According to the Treasury’s report, the yuan rose by 2.9% against the U.S. dollar in 2013, and China’s current account surplus fell to 2.1% of gross domestic product (GDP) last year, down from 2.3% of GDP in 2012 and from a peak of over 10% in 2007. The U.S. Treasury voiced concerns over recent volatility of the yuan’s value, saying “the yuan’s recent depreciation underlines the importance of a significant increase in the transparency of China’s actions in the foreign exchange market.”
- Swiss bank UBS has ordered an internal investigation into allegations against Yang Lijuan, a senior Hong Kong-based banker, after a Chinese journalist accused her of having an extramarital affair with China Resources Chairman Song Lin, who has meanwhile been sacked. She also allegedly helped him to launder money.

- Zurich Insurance Co is actively seeking merger and acquisition opportunities in China. Last year, the insurer received approval to transform its Beijing branch into a wholly-owned subsidiary, and it has meanwhile submitted an application to the China Insurance Regulatory Commission (CIRC) to open a branch in Shanghai. Zurich General Insurance Co (China) generated premium income of CNY496 million last year, up 16.6% year-on-year.
- New rules stipulate that banks and third-party payment firms should verify a customer's identity when a bank account is linked to a third-party payment platform for the first time. Banks also have to provide notification in real time on the balance of customers' linked accounts. The Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB) have already lowered the payment limit per transaction from CNY50,000 to CNY5,000.
- Bank of China (BOC) Vice President Wang Yongli has resigned after he was investigated and subsequently cleared of suspicion of corruption by the Communist Party's Central Commission for Discipline Inspection (CCDI). He was still being accused of keeping mistresses. He had worked at the bank for 25 years and been a Vice President for more than seven years.
- The National People's Congress Standing Committee is considering giving the green light to bond sales by provincial-level governments within a quota set by the central government. Money raised could be used for construction projects included in the provincial budget. Chinese local government debts reached CNY17.9 trillion as of the end of June 2013.

FOREIGN INVESTMENT

FDI dropped in March for first time in 14 months

Foreign direct investment (FDI) in China fell in March for the first time in 14 months to USD12.2 billion, down 1.47% from a year earlier. That contrasted with a 10.44% increase in the first two months. The first-quarter total of USD31.5 billion was still up 5.5% year-on-year. March saw a significant decrease in investment from Japan and the European Union, with declines of 47% and 24% respectively, while funds from the United States were down 1.9%. ASEAN countries, on the other hand, raised their input by 7.8%, with South Korea more than doubling its investment. Outbound direct investment (ODI) fell 16.5% on an annual basis in the first three months to USD19.9 billion. Commerce Ministry Spokesman Shen Danyang said it was normal for investment, both inbound and outbound, to fluctuate. "The declines in March won't affect stable growth of foreign investment for the year," Shen said. Foreign investment flowing into China's service sector gained 20.5% year-on-year to USD17.3 billion in the first quarter, making up 55% of the total. In comparison, the manufacturing sector drew USD11.6 billion, down 11% on an annual basis. FDI in Shanghai increased 14.2% from a year earlier to USD1.65 billion in March, up from an 8.5% increase in February. Foreign investment in the city's service sector, which accounted for 90% of total FDI, rose 11.7% last month, while investment in the manufacturing sector dropped 24.9%.

- The Ministry of Industry and Information Technology (MIIT) unveiled rules that will allow foreign companies based in the Shanghai pilot free trade zone (FTZ) to invest in value-added telecom services. Foreign enterprises with a registered capital of no less than CNY1 million can apply for investment in the value-added telecom business sector. The Ministry also simplified approval procedures and has designated the Shanghai Communications Administration to handle the vetting procedure, cutting the processing time to two months from the previous five months.
- A delegation representing 15 Canadian nuclear organizations signed a memorandum of understanding (MOU) with their counterparts in Haiyan county – home to the 130 square kilometer Haiyan Nuclear City – for future cooperation in technology development. The memorandum includes a proposal to build a Canadian nuclear industrial park. Located in Zhejiang province, the county's nuclear industry had an output value of CNY17 billion in 2013.

FOREIGN TRADE

Some bright spots despite drop in first quarter

Despite the 3.7% decline in total foreign trade, exports to significant markets, such as the European Union, United States and members of the Association of Southeast Asian Nations, increased more than 5% in the first quarter. In terms of goods, exports of color television sets, electric motors, steel, toys, ceramic products, fertilizers and other bulk commodities, China realized a year-on-year growth of more than 10% in the same period. “While there is a stable global demand and the upgrading in China continues it is possible for China to maintain a better performance in global trade,” Ministry of Commerce Spokesman Shen Danyang said. Others were more cautious. “The influence of fluctuating capital flows in emerging countries may expand into China's foreign trade performance because emerging economies are important Chinese trading partners,” said Song Hong, Economist at the Institute of World Economics and Politics at the Chinese Academy of Social Sciences (CASS). Shen Danyang told a press briefing that the Ministry of Commerce remains “fully confident” that exports and imports would meet the government's annual target of a 7.5% growth this year. “The trade situation will recover in the second quarter,” likely starting in May, Shen said. China is expected to maintain a trade surplus for some time, though the gap would gradually narrow, he added. Nearly half of all provinces reported double-digit growth in imports and exports in the quarter, adding to evidence of a rebound in trade.

- The Canton Fair – officially known as the 115th China Import and Export Fair, running from April 15 to May 5 – is expected to draw 200,000 international buyers, up from more than 180,000 in the autumn session when there was a drop-off in numbers. Each session attracts more than 24,000 domestic and overseas exhibitors and about 210,000 global buyers Trade will also be conducted online at the website www.e-cantonfair.com. Foreign buyers said that hard bargaining over prices was less evident this year, in view of the higher quality products and wider range of new products available.
- Australia is trying to persuade China to open its market to live cattle sales. China’s beef imports are hitting record levels, jumping 40% in the past year. Importing live cattle would make economic sense for China, with its abattoirs running at only 30% of capacity and labor costs around a fifth lower than in Australia. Australia is the world's third-largest beef supplier, after the United States and India. The OECD expects beef consumption in China to increase 7% per year over the next eight years to an annual consumption of around 850,000 tons.
- China announced it will file an appeal to the World Trade Organization (WTO) over its ruling on China's limits on rare earth exports, the Ministry of Commerce (MOFCOM) said. The WTO released a report at the end of March, saying China's export restrictions on rare earths, molybdenum and tungsten are inconsistent with WTO rules.
- A proposal to create a pilot free trade zone (FTZ) encompassing Hong Kong, Macao and parts of Guangdong has received the approval of the central government, according to Guangdong Governor Zhu Xiaodan. Like the Shanghai zone, it would be a place to test new regulatory approaches, public policy or economic policy programs as well as facilitating trade and business transactions.

HEALTH

Medical cheating uncovered in Shanghai

More than 100 members of a crime syndicate that operated a highly organized medical scam to cheat more than 500 sick people out of CNY1.7 million have been detained in Shanghai. The group made money by employing corrupt doctors to prescribe unnecessary and massively overpriced medicines. The medical fraud is the largest of its kind in Shanghai. As well as making 114 arrests, police seized almost 2,500 boxes of medicines and a replica gun.

IPR PROTECTION

Japan’s Customs fights fake imports

Japanese fashion brands and customs authorities are struggling to keep up with the rapidly changing techniques employed by manufacturers of fake goods, as record amounts flood in from China. Statistics released by Japan's customs show 28,135 fake items were seized at ports or airports last year, 5.7% more than in 2012. The most popular fakes are handbags, accounting for 44% of the total, followed by clothes, at 15.6%, and shoes, 10%. Japan's Finance Ministry said the seized goods would have been valued at JPY13 billion if they had been genuine. "Most of the fake products used to be sold to retailers in Japan, who would then try to sell them to the public, but customs and the police were able to seize many of those shipments. Now they are advertising on websites and sending fakes by post. This means they can conceal their identities more easily and it is much harder for the police to investigate and prosecute because they have no jurisdiction outside Japan", said Noriko Arai, Deputy Director of the Tokyo office of "Union des Fabricants", an international organization set up to protect intellectual property rights. More than 90% of the fakes originate in China, with criminals employing more sophisticated techniques.

- Investors who struggle to asses the value of cultural relics or contemporary art works may soon be able to use an online tool. Fu Xiaoliang, Chairman of the Shenzhen International Copyright Exchange, is creating a database to provide easy access to detailed copyright transaction information and records. The copyright exchange opened on March 30 after a six-month trial.
- China's courts heard 91,187 civil and administrative intellectual property cases last year, 2,840 of which involved overseas litigants, according to figures from the Supreme People's Court. Nearly 89,000 civil cases were concluded in Chinese courts last year, including 1,697 foreign-related ones, an increase of 18.75% over 2012. Of 2,901 administrative IP lawsuits, about 40% were foreign-related disputes, which mainly involved patents and brand infringements.
- Guangdong hopes to take the lead in China in setting up an independent court specializing in intellectual property, Governor Zhu Xiaodan said. In 2013, Chinese courts concluded 88,286 IP civil lawsuits, with about 25% of those handled in Guangdong.

MACRO-ECONOMY

Beijing in Top 10 of world's most global cities

Beijing has made it into the top 10 of the world's most global cities for the first time, ranking eighth in the A.T. Kearney Global Cities Index. The index, introduced in 2008 by the global consulting firm, includes 84 cities. Beijing scored an overall 3.5 in five categories, including business activity, human capital, information exchange, cultural experience and political engagement. It stood out from other Chinese cities in terms of the number of Fortune 500 companies, international schools, broadband subscribers and museums. Beijing is in fourth place in the field of business activity. Shanghai, ranking 18th in the index, was the only city on the Chinese mainland that came close to Beijing. It scored higher than Beijing in human capital, given its larger foreign-born population. Shanghai also performed well in business activity. Guangzhou dropped from its rank of 60 to 66 this year due to a significant decrease in political engagement. Shenzhen dropped from 65 to 73 due to a decline in its human capital score.

Yue Yuen shoe factory workers strike at Dongguan plants

Thousands of workers went on strike at seven of sport manufacturer Yue Yuen's factories in Dongguan in a dispute over welfare payments. The firm is listed on the Hong Kong stock exchange and produces footwear for international brands. Workers complained about the level of payments for pensions, medical insurance, housing allowances and injury compensation. Several workers said their aim for the strike was to get the company to pay the proper amount of social welfare. The dispute was triggered last month after a staff member who had worked at the company for 18 years alleged she did not receive her full pension. Dongguan's city government said it was looking into the industrial action, but declined to comment further. The company agreed to raise some social security benefits on May 1, but workers were not satisfied. Yue Yuen, a company listed in Hong Kong, is owned by the Taiwan-based Pou Chen Corp. The group makes shoes for more than 60 brand names including Nike, Adidas, Reebok, Timberland and Converse and has about 60,000 employees. The company is the world's largest shoemaker.

Slowest GDP growth in 18 months

China's economy expanded 7.4% in the first quarter, its slowest pace in 18 months. Just hours after the National Bureau of Statistics (NBS) released the data, the central government said China would reduce the amount of cash some rural banks are required to hold at the central bank to help the farm sector. Tax incentives will be offered to companies employing those who have been out of work for more than one year. The first quarter's growth exceeded market expectations but was below the government's 7.5% target and the previous quarter's 7.7%. Gross domestic product (GDP) amounted to CNY12.82 trillion in the first three months. Growth was led by a 7.8% increase in the service sector, while manufacturing rose 7.3% and agriculture 3.5%. Industrial production gained 8.8% year-on-year last month, compared with 8.6% in the January-February period. Retail sales accelerated to 12.2% in March. Barclays Economist Chang Jian said the data indicated early signs of recovery. Sheng Laiyun, Spokesman for the National Bureau of Statistics (NBS), said China created 3.44 million new urban jobs in the period, 40,000 more than a year earlier. Urban per capita disposable income rose by 7.2% in real terms from a year earlier, while rural income increased by 10.1%. Jan Knoerich, who lectures on the Chinese economy at King's College London, said, "For more than a year, the Chinese leadership has quite successfully prepared the public for an era of lower growth rates, thus shifting public expectations on what an appropriate level of economic growth for China should be." Consumption now accounts for 64.9% of GDP, 1.1 percentage points higher than a year earlier.

- The China Wealth Index, compiled by the Bank of Communications (BoCom) and Nielsen remained flat at 130 in April, a similar reading to that in January but up from 127 in November of last year. A reading above 100 reflects optimism. The index measuring people's willingness to buy homes shed 2 points from January to 102 in April, the survey showed.
- 89% of employers in China will hire more staff in the second quarter of this year, but workers should expect a lower rise in salaries, according to a survey by recruitment portal 51job.com covering 19,224 employers nationwide. Nearly half of the new job demand came from first-tier cities. Only 30% of the respondents said they may raise salaries by over 5% in the second quarter.
- The Urban China Initiative, a think tank backed by McKinsey, Columbia University and Tsinghua University, issued the 2013 China urban sustainability index, evaluating the level and potential of the sustainability of development in 185 cities. Zhuhai and Shenzhen in Guangdong province and Hangzhou in Zhejiang province were the top overall performers, based on the evaluation of their economic and social development, resources and environment. The study found that the richest cities – Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Tianjin – were now facing the prospect of limited improvement in sustainability because of their growing populations and higher gross domestic product (GDP).
- China's state-owned enterprises (SOEs) recorded faster profit growth last month, although continued losses were reported in the transport, steel and non-ferrous metals sectors. Total profit of the nation's SOEs hit a combined CNY533.7 billion in the first-quarter of the year, up 3.3% year-on-year, the Ministry of Finance said. The first-quarter profit growth remained weak relative to the 5.9% growth for the whole of last year.
- Premier Li Keqiang has ordered work to start on a batch of major environmentally-friendly power generation projects, including nuclear plants, following the first meeting of the National Energy Commission chaired by President Xi Jinping. Premier Li said construction of nuclear power plants should be resumed in eastern coastal regions "at the appropriate time", provided safety is ensured. If residents' resettlement and environmental protection are taken care of, a "reasonable" number of hydropower plants should be built "in an orderly manner" while the construction of solar and wind power projects and related power distribution infrastructure should also be strengthened, Li added.

MERGERS & ACQUISITIONS

Private investment fund set up

An investment company funded by leading Chinese entrepreneurs from the private sector has been established in Beijing. China Minsheng Investment could raise up to CNY50 billion to invest in projects in China and abroad. The founders include Shi Yuzhu of online gaming company Giant Interactive Group; Dong Wenbiao, Chairman of China Minsheng Banking Corp; Sun Yinhuan, Chairman of Yida Group; and Lu Zhiqiang, Chairman of China Oceanwide Holdings Group.

PETROCHEMICALS

Global oil companies procure services and equipment in China

Global oil companies are increasingly turning to China for services and equipment, attracted by lower costs and newly acquired expertise. State-run and privately controlled Chinese rig makers, oil and gas services and engineering firms are showing up in the supply chain everywhere from the Middle East to frontier areas like Mozambique. Chinese yards, having come from nowhere in less than a decade, are building more jack-up rigs – the most common offshore rig used for shallow water drilling – than all the other yards in the world put together, data from industry consultants IHS Petrodata shows. China could become a major offshore oil equipment manufacturing hub in less than 10 years, industry executives say. The Chinese companies' expansion is putting pressure on established companies including Singapore oil rig makers Keppel and Sembcorp Marine, which are increasingly building more sophisticated equipment, an area where Chinese firms still lack expertise. Chinese companies won over half the global orders for jack-up rigs last year, up from around a third between 2008 and 2012. Chinese manufacturers can also make land rigs, drilling pipes, bits, modules, pumps and valves at up to half the price of the same equipment made elsewhere, the South China Morning Post reports.

Payment dispute between Sinopec and Hans to go to court

A legal battle between privately-owned fuel storage facilities operator Hans Energy and state-owned China Petroleum & Chemical (Sinopec) is to be decided in court in May. The Guangzhou Intermediate People's Court has accepted Sinopec's application to revoke a ruling made early in March by the Guangzhou Arbitration Commission, which found Sinopec to have breached a facilities rental agreement and ordered it to pay Hans a default payment of CNY607 million. Hans and Sinopec Guangdong Oil Products signed a lease agreement for oil storage tanks in late 2004, under which Sinopec Guangdong agreed to rent 240,000 cubic meters of oil storage tanks in Panyu, Guangzhou, from Hans for 20 years. In 2011, Sinopec Guangdong requested unilaterally to end the deal from July 1 that year, citing changes in its business operating conditions, Hans said in filings to the stock exchange. Hans applied to the Guangzhou Arbitration Commission in mid-2012 for a ruling, seeking payment of outstanding rentals and penalty for late payment totaling CNY156 million. It also requested that the agreement be ended and sought a default payment of CNY607 million. The court ruled in Hans' favor on the default payment but not the late payment penalty. Hans booked an impairment loss of HKD109.5 million on rental income receivable in 2011 and stopped booking income from the agreement since July that year, causing it to post losses since then. The deal had been its main revenue source, the South China Morning Post reports.

- Titan Petrochemicals, which is restructuring more than USD400 million of debt and has just signed a conditional cooperation deal with Keppel Corp, needs up to CNY400 million to transform its mothballed shipyard in Fujian province into a rig-making base and to keep its listing status, according to Chairman Zhao Xuguang. Hong Kong-listed Titan, a fuel-trading and logistics firm, was founded in 2002 by Fujian businessman Tsoi Tin-chun. It expanded aggressively by buying tankers, building fuel storage tank farms and a shipyard.
- Sinopec Group will buy stakes in several Kazakhstan oil projects for USD1.2 billion from Lukoil, Russia's No 2 oil producer. Lukoil said it agreed to sell its 50% of Caspian Investment Resources to Sinopec which already owns the other half of the company. The Chinese state-owned company will become full owner by the end of the year. Lukoil's share of production through Caspian Investment was 30,000 barrels a day in 2013. The biggest Chinese venture in Kazakhstan is operated by China National Petroleum Corp (CNPC), with a daily crude output of 50,000 barrels.

REAL ESTATE

Growth of land prices slows down

Land prices in China rose at a slower pace for the first time in two years in the first quarter of 2014 and the trend will likely continue for another quarter, the Ministry of Land and Resources said. The average price of land increased 1.89% quarter-on-quarter to CNY3,412 per square meter in the January-March period, a decrease of 0.17 percentage points from the fourth quarter of 2013, according to the China Land Surveying and Planning Institute, a research unit under the Ministry which tracks land prices in 105 cities around the country. Residential land prices climbed 2.11% from the previous quarter to CNY5,139 per sq m, compared with a gain of 2.64% recorded in the previous three-month period. Prices of land plots designated for commercial and service purposes gained 1.73% quarter on quarter, a slowdown of 0.56 percentage points from the last quarter of 2013. Industrial land was the only type bucking the trend, seeing a price gain of 1.71%, accelerating from a rise of 1.32% registered in the previous quarter. Residential land prices in gateway and large cities began to stabilize at a comparatively high level amid stringent property curbs by local governments, while those in smaller and tertiary cities rose at a slower pace or even declined as a result of the high inventory of new homes coupled with slow population growth, the Shanghai Daily reports.

Retail property market facing oversupply

China is facing an oversupply in the retail property markets in major cities, where a surplus of space is outstripping demand from urban residents and an expanding middle class, according to a new report by Cushman & Wakefield, the world's largest privately-held real estate services company. The report forecast that the new supply of commercial properties in 30 cities that it monitors will total 75 million square meters, and a peak of new supply of more than 20 million sq m will flood the market this year. In addition, commercial space of about 18 million sq m will enter the market in 2015. In Shanghai alone, a further 10 shopping malls, with about 985,100 sq m of space, are expected to open over the coming year, according to data from Savills, a UK-based real estate adviser. The Beijing market is expected to experience a third historical peak this year, with 10 projects scheduled to debut, adding a retail floor area of 928,000 sq m and enlarging the stock by 10%, according to Savills. In addition, 84% of the new supply will be in non-prime or suburban markets.

China's retail property market has become increasing polarized, said Theodore Knipfing, Director of retailer tenant representation for the Asia-Pacific at Cushman & Wakefield. “Rents in the prime streets and prime malls will continue to rise in the foreseeable future, reflecting strong sales, but a key role of these centers also is creating ‘mind share’,” he said, referring to the concept of a brand becoming a synonym for its particular product or service. Alice Law, head of retail at Jones Lang LaSalle, Beijing, said retailers are more eager to lease space in established malls, and landlords at these projects continue to drive market rental growth. As a consequence, small and mid-sized retail developers were less apt to raise rents. Prime retail areas in Beijing, such as Xidan, Wangfujing and Sanlitun, showed a year-on-year rental growth ranging from 7.2% to 16.7%, because they remain the most popular destinations for the majority of international and leading domestic retailers, particularly new entrants, the China Daily reports.

- Chinese investors will likely double their outbound real estate investment this year from 2013, Colliers International predicted. The investment has continued to grow from around USD69 million in 2008 to above USD16 billion in 2013. Chinese investors are now increasingly beginning to switch from residential investments to commercial real estate. The most popular targets of outbound Chinese capital in the last five years have been London, New York, San Francisco, Los Angeles, Sydney and Melbourne, Colliers said.
- Chinese investment in overseas property markets will experience a surge this year partly because of the ongoing tightening measures at home and a rising yuan, industry analysts said. Terence Tang, Managing Director of Capital Markets and Investment Services for Asia at Colliers International, believes that Chinese investment in real estate abroad will likely double in 2014. The primary destinations would be the United Kingdom, Australia and Canada.
- The value of new homes sold dropped 7.7% in the first quarter from the same period a year earlier to CNY1.1 trillion. Investment in housing development rose 16.8% year-

on-year to CNY1.05 trillion. Construction on new homes dropped 27.2% year-on-year to 212.38 million square meters. In Shanghai, new home sales fell over 33% on year to 2.06 million sq m in the first quarter.

- The urban residential price index of the nation's 100 major cities, compiled by the China Index Academy edged up 1.56% in the first quarter from the previous quarter but was 1.08 percentage points lower year-on-year. A total of CNY1.5 trillion was poured into the real estate sector, up 16.8% year-on-year, with CNY1.05 trillion pumped into the residential market, surging 16.8% year-on-year.
- The average price of a new home in Shanghai rose 15.5% last month, faster than in any other Chinese city, the National Bureau of Statistics (NBS) said. Other significant climbers in March included Beijing, Guangzhou and Shenzhen, each of which saw increases of more than 13%. “While demand is outstripping supply in first-tier cities, in smaller cities there has been an increase in supply,” Zhu Haibin, Chief China Economist at JP Morgan said.
- Shanghai reported a slower rise in mortgages for the third month in March as home buying has cooled. Banks extended CNY5.25 billion of home loans last month, down by CNY440 million from February but up by CNY590 million from last March. In the first quarter, new mortgages totaled CNY22.6 billion, up CNY8.7 billion from a year ago.
- A fire that broke out at the 34-story Jiete Apartments building in Dalian prompted renewed concerns over fire safety in high-rise buildings. External insulating material caught fire, with the flames quickly spreading to the interior of the building. No deaths or injuries were reported. Experts warned that developers could easily replace expensive fire-retardant materials with cheaper but flammable materials.

RETAIL

Catering industry reports slowest growth in 21 years

Nationwide, catering services' revenue saw 9% year-on-year growth in 2013, a 21-year low, according to the China Cuisine Association. The situation is especially bleak for high-end restaurants, some of which have gone out of business, due to the central government’s frugality campaign. The Beijing Quanjude Group, famous for its roast duck, reported a 2.13% decline in business income and a 27.6% drop in net profit in 2013, according to the company's annual report. The company's catering arm saw its revenue drop by 5.64%. Beijing Xiangeqing Co reported a loss of CNY564 million in 2013, mainly due to a change in the business environment and a sudden slump in customers' consumption. The company closed eight restaurants in Beijing in July and shuttered five more restaurants in other Chinese cities due to severe losses. The sluggish business also resulted in weak employment demand in restaurants, with only 25 of the top 100 enterprises in the industry increasing worker numbers in 2013.

- Shareholders of retailer Gome Electrical Appliances voted almost unanimously for the company to accept HKD420 million from its jailed founder Huang Guangyu and his wife as compensation for their misconduct in a 2008 share repurchase deal. The shareholders also demanded a special dividend to distribute the money. In that case, Huang and his wife would recoup HKD150 million because they remain the biggest shareholders of Gome with a 36% stake.
- Abercrombie & Fitch has opened its first Chinese flagship store in Shanghai on April 19, as the fashion company shut 62 U.S. stores in its fiscal year 2013. Gap opened a 2,000-square-meter Old Navy store in Shanghai in March, its first in China. The company now has 77 own-name stores and 12 outlets in the country. It, too, shut North American stores, 128 in the fiscal year ending February 2013 and 108 in the following period. The trend set by Abercrombie and Gap will most likely continue, the China Daily reports.

STOCK MARKETS

BlackRock receives renminbi QFII license

Chinese authorities have given BlackRock Asset Management North Asia a renminbi qualified foreign institutional investor (RQFII) license, which means the firm can invest directly on the mainland using offshore yuan. BlackRock will apply for a quota to determine how much money it could invest. The company already received two qualified foreign institutional investor (QFII) quota of USD100 million. Last month, China relaxed the rules so as to allow QFII and RQFII investors access to more products and invest up to 30% in a single company, up from 20%.

- The stock market retreated the most in five weeks on April 15, with financial companies, banks and commodities companies leading the drop. The benchmark Shanghai Composite Index fell by 1.4% to 2,101.60 points, as turnover reached CNY91.14 billion.

TRAVEL

Pudong International Airport to be upgraded

A major project to increase passenger capacity at Pudong International Airport's Terminal 1 by 80% is set to get under way this year, the Shanghai Airport Authority said. With the addition of a whole new floor, the capacity at the terminal will rise to 36 million passengers a year, from 20 million now. The renovations are scheduled to finish by the end of next year. The upgrades at Pudong will also include a 500,000-square meter satellite terminal building with 119 gates, adding to the 70 at Terminals 1 and 2, Wang said. By 2020, Pudong airport will be able to handle 80 million passengers and 4.7 million tons of cargo per year. Meanwhile, at Hongqiao International Airport, construction of a second terminal building will get under way and a fourth 3,800 m runway will go into service before the end of the year, able to accommodate the world's largest commercial aircraft, the Airbus 380. A fifth runway, measuring 3,400 m is already under construction. By 2020, the passenger capacity of Shanghai's two airports will be 120 million.

- About 180 of the world's top business aircraft makers and operators participated in the Asian Business Aviation Conference and Exhibition in Shanghai last week. Manufacturers, including Airbus, Boeing and Bombardier, displayed 38 planes at the exhibition. Airbus exhibited its new ACJ319 business jet that has the largest and tallest cabin and comes with a separate bedroom, office and bathroom. U.S.-based Gulfstream showed off the world's fastest business jet, the G650. Last year, Shanghai's two airports handled 4,489 private jets, up from 4,000 in 2012, about 30% of the total on the Chinese mainland.
- The Civil Aviation Administration of China (CAAC) is encouraging private investment in building airports to counter the slowdown in the domestic general aviation market. The central government's austerity campaign has also affected the business jet market as few government bodies or state-owned enterprises (SOEs) are renting or buying such aircraft.
- The HKD67 billion high-speed railway linking Hong Kong with Guangzhou – the most expensive ever built per kilometer – has been delayed by up to two years due to damage to a tunnel boring machine suffered during heavy rains and problems with the construction of the West Kowloon terminus at the Hong Kong end of the 26-km underground link. The MTR said the delays meant construction would not be finished until 2016, with services starting in 2017. Construction started in January 2010 and the initial completion date was next year.
- Passengers flying with Air China will soon be able to access the internet during their flights, the company said after a successful trial run. On April 16, Air China passengers on flight CA4116 from Beijing to Chengdu, capital of Sichuan province, and passengers on flight CA4109 from Chengdu to Beijing became the first in China to use their computers and personal electronic devices to surf the internet during their flight. The Air-to-Ground network provides users up to 30 megabytes of bandwidth through a 4G wireless connection. Internet access will be restricted to laptops and tablets, mobile phones will not be allowed to be used in flight.
- More than 100 Air China pilots have signed an open letter alleging that they have an excessive workload, get inadequate rest and receive a lower salary than foreign pilots at the airline.

ONE-LINE NEWS

- A total of 313 Party and government officials have received punishments, from serious warnings to removal from public office, for recent violations of the Party's frugality rules. Among them, 42 cases were related to the misuse of government vehicles. Seventeen involved sightseeing tours at public expense, and 10 were lavish banquets paid for with public funds. The Central Commission for Discipline Inspection (CCDI) has forbidden officials from grand celebrations of weddings, funerals and birthdays since some officials have taken advantage of such events to receive money.
- WH Group, the world's largest pork processor formerly known as Shuanghui International, believes its exponential sales growth justifies a USD681 million share-based compensation plan for two senior executives, Chairman Wan Long and Vice President Yang Zhijun. “Our sales have risen 20% annually for 20 years and the market capitalization of Henan Shuanghui Investment & Development has jumped to about CNY100 billion from CNY2 billion at the time of listing,” said WH Chief Financial Officer Guo Lijun.
- The total value of private Chinese invested capital reached CNY9.41 trillion last year, according to the Chinese Mass Affluent Report 2014, published by Forbes China and CreditEase. There were 11.97 million Chinese considered middle class at the end of 2013, and their number is expected to reach 14.01 million by the end of 2014, the report said. The middle class's most popular investment products are banking products, real estate and stocks.
- Chen Haiju, former Deputy General Manager of China Eastern Airlines, went on trial at the Shanghai No 1 Intermediate People’s Court charged with taking more than CNY 5 million worth of bribes. Chen denied all charges and insisted that the funds he received were not bribes.
- The central government has cut more than CNY800 million from its budget for overseas visits, vehicles and receptions compared with last year amid a nationwide frugality campaign. Planned spending on the “three public consumptions” in 2014 is set at CNY7.151 billion, which is only slightly less than actual spending in 2013, but CNY818 million, or 10.3%, less than last year’s budget.
- An amendment to China’s Criminal Law, which has been submitted to the Standing Committee of the National People’s Congress (NPC) for deliberation, would make it illegal to eat rare wild animals. Currently, 420 species of wild animals are considered rare or endangered by the Chinese government, including giant pandas, golden monkeys, Asian black bears and pangolins. Eating wild animals would be punishable by a three year prison term.
- Close to seven million Chinese this year will graduate from college, up from 1.1 million in 2001. By 2020, China's college-educated talent pool is expected to number 195 million people, more than the entire labor force in the United States that year.

ANNOUNCEMENTS

EU SME Centre article: Business with a Cause

Business with a Cause, Corporate Social Responsibility for SMEs in China.

Corporate social responsibility (CSR) is generally thought of as an add-on to the operations of large multinational corporations looking to improve their image by donating to worthy causes or organizing charity events geared more towards the media than the actual beneficiaries. While this might be true in some cases, a recent report published by the EU SME Centre shows how CSR done right can be much more than a marketing tool and can contribute to both social causes and the performance of a company.

On a basic level a well thought-out, sustainable CSR programme can indeed help alleviate social and environmental problems. Besides improving visibility and sales, it can also serve as a way to identify and minimize compliance risks within a company and its network of partners. Moreover, internal programs to reduce the environmental impact of a company’s operations can significantly cut costs and improve efficiency. Finally, CSR initiatives are great opportunities to network with partners, stakeholders and customers, improve communication and discover new opportunities for cooperation as well as business. Thus, investing in CSR should no longer be seen as a playground for global players, but as a sensible step for any

SME looking to strengthen its ties with the community in which it operates.

This is the first part of an article based on the report “Corporate Social Responsibility for EU SMEs in China”, which is available to download free-of-charge for European SMEs and intermediaries on the EU SME Centre website. Related resources include:

- A recording of a webinar on the topic
- A report on Product Liability in China

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