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

NEWSLETTER | 20 JANUARY 2014

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FCCC ACTIVITIES

Briefing: "The Future of Foreign Investors in China" – 22 January 2014 – The Conference Board/FCCC, Brussels

The Conference Board – in partnership with the Flanders-China Chamber of Commerce – is organizing a briefing on "The Future of Foreign Investors in China" on 22 January 2014, 16:30~18:30 h., in Brussels.

Introduction by Mr. Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce and CEO of Bekaert; briefing by Mr. David Hoffman, Vice President and Managing Director The Conference Board China Center for Economics and Business.

As China's economy "downshifts" – hard or soft – it makes good business sense for MNCs to test long-held assumptions regarding China's status as both a sourcing/production base and as a target market for consumer products and capital goods for Multinational Companies (MNCs). On both fronts, the confluence of structural adjustment, financial system risk, geopolitical dynamics, and potential policy changes stand to fundamentally reshape the China opportunity set for MNCs. More factors seem biased toward negative outcomes than positive at this juncture; but there is much hope that the new leadership will do the right things to put China back on the marketization path, and curtail run-away profiteering and sector domination by State-Owned Enterprises and National Champions, as promised by Premier Li Keqiang in his first official briefing. If so, MNCs will necessarily gain heightened prominence, and associated regulatory hospitality, in this next reform cycle, if and when it comes.

This briefing will take stock of economic trends and policy developments to provide a "reality check" on China's attractiveness as an end market and competitiveness as a production base. The session will illuminate a set of key considerations for setting realistic objectives for growth and profitability in China, near- to medium-term.

Proposed Agenda

1. Review of key structural issues shaping the economy, policy and business environment
2. Review of current top-issues: anti-corruption campaign, "Likenomics", and anti-foreign investor incidents
3. Update on the current economic and policy fronts – 3rd Plenum outcomes and the prospects for marketizing reforms
4. Prognostications about the near- and medium-term opportunity set and risks

Please register online via the following link: http://flanders-china.be/eventdetail.asp?id=319&id_cat=1&cat=up&lang1=

Price fee for members: €75, price fee for non-members: €115.

Meeting with the Ambassador of Belgium in China and Consuls General – 3 February 2014, 18h00 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the Ambassador and Consuls General of Belgium in China. This event will take place at 18h00 on Monday 3 February 2014 at 18h00 at BNP Paribas Fortis, Koningsstraat 20 in Brussels.

This event is an excellent opportunity to brief the Ambassador and Consuls General of Belgium in China on your companies' activities in China.

Programme:

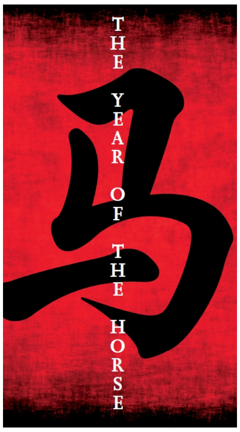
18h00	Registration
18h30	Speeches by Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce Mr Michel Malherbe, Ambassador of Belgium in China Mrs Cathy Buggenhout, Consul-General of Belgium in Shanghai Mr Christian de Lannoy, Consul General of Belgium in Guangzhou Mr Evert Maréchal, Consul General of Belgium in Hong Kong
19h00	Exchange of views and networking with the Ambassador and Consuls-General
20h00	End of programme

The event is organized with the support the Federal Government of Belgium, Flanders Investment & Trade (FIT), AWEX and Brussels Invest & Export.

Register before 29 January 2014 via the following link:
http://flanders-china.be/eventdetail.asp?id=321&id_cat=1&cat=up&lang1=

The participation fee for members of the FCCC is €45. The fee for non-members is €75.

FCCC New Year Reception – 13 February 2014, 18:00 h. – Brussels



The Flanders-China Chamber of Commerce will hold its annual New Year Reception on Thursday 13 February 2014 at 18:00 h. at AG Insurance, Nieuwbrug 17, 1000 Brussels.

Addresses will be delivered by:
Mr Bert De Graeve, Chairman Flanders-China Chamber of Commerce;
His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium;
Mr Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy.

Please register online before February 9 via the following link:
http://www.flanders-china.be/eventdetail.asp?id=320&id_cat=1&cat=up&lang1=

ACTIVITIES

Group business trip to China for beginners – 22 to 29 March 2014 – Beijing, Shanghai, Guangzhou

Flanders Investment & Trade (FIT) and UNIZO are organizing a group business trip to China for beginners from March 22 till 29 to Beijing, Shanghai and Guangzhou. Discover your next export market together with FIT representatives:

- Beijing: Mr Peter Christiaen
- Shanghai: Mrs Sara Deckmyn
- Guangzhou: Mr Dirk Schamphelaere

Exporting to China is less obvious than exporting in Europe or to America. The “China for beginners” route is aimed at exporters who don't have any experience in exporting to China and would like to explore the Chinese market under expert guidance. The route consists of:

- a workshop on 11 February 2014
- a group business trip from March 22 to 29, 2014
- a follow-up session on 13 June 2014

Only 30 places are available. Registration is possible before February 3, 2014.

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www.flandersinvestmentandtrade.be

PAST EVENTS

China Information Session: Getting access for funding – Friday, 13 December 2013 – Brussels

The Flanders-China Chamber of Commerce organized an information session focused on getting access to funding from the EU, Belgium and China. This session was organized in cooperation with Agoria, Flanders Investment & Trade and the EU SME Center in Beijing on 13 December in Brussels. The session focuses both on Flemish companies wishing to expand in China as on Chinese companies investing in Belgium. Following an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, speeches were given by Mr Stephen de Pretre, EU SME Center Expert, EU SME Center in Beijing; Mr Rik Daems, Senator, Chairman China-Belgium Investment Fund; Mr Yves Roekens, Expert Financial Support to Companies, Flanders Investment & Trade; Mr Luc Nouwen, Head Corporate Business Development Corporate Banking Network Services, KBC Bank; Mr Roals Borré, Business Manager, PMV; and Mr Bart Cauberghe, Partner, GIMV. The event was concluded by a question and answer session and a networking lunch in the presence of Chinese and Belgian banks.

PUBLICATIONS

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

See FCCC Members' Portraits on the FCCC website.

FINANCE

Two foreign banks prepare to set up branches in Shanghai FTZ

Foreign banks that were lobbied by the Chinese government to open branches in Shanghai’s first free trade zone (FTZ) are hesitant due to ambiguous guidance and regulations that have yet to come into force. In early January, Singapore’s DBS and Hong Kong’s Bank of East Asia (BEA) became the first and only two foreign banks that were officially approved to open new branches in the FTZ. Both DBS and BEA were among the first batch of global financial institutions encouraged by the Chinese banking regulator to apply in late September to open new branches. More approvals were expected to be offered quickly to other foreign banks, said government sources. In early December, the People’s Bank of China (PBOC) proposed to run some pilot tests in key areas of financial reform, such as interest liberalization, free convertibility of funds and foreign exchange management. But many analysts found the six-page blueprint and its 30 key points was too general for the Shanghai government to quickly implement. “The vast majority of new companies are set up by domestic investors, with only a handful by foreign investors, and with very low average registered capital. It is clear that foreign investors have adopted a wait and see attitude,” Shanghai-based Joseph Chan, a partner with law firm Sidley Austin, said. Tu Guangshao, Vice Mayor of Shanghai, said the central bank would roll out more detailed policies in the coming months. Shanghai may soon run out of time, as the central government is expected to approve free trade zones in other provinces and cities such as Tianjin and Guangdong after about one year, the South China Morning Post reports.

Trust product default risks setting of chain reaction

The looming default of a CNY3 billion trust product linked to indebted coal miner Shanxi Zhenfu Energy Group is raising the specter of a wave of defaults of similar high-yielding products with billions more yuan of investments at risk. Industrial and Commercial Bank of China (ICBC) has rejected calls for a bailout of investors who bought the product at its branches in Shanxi. The product was issued by China Credit Trust and distributed by ICBC, which has no plans to compensate investors after the coal miner's collapse, the bank said. The trust product, which was launched in February 2011, raised CNY3.03 billion. The coal miner has been facing lawsuits since 2012 over illegal fund-raising and other irregularities and most of its mining projects have been suspended. The likely default of the trust product is being viewed as a sign of Beijing's determination to clean up the financial system. The central government and the regulators would probably allow the product to default, said analysts.The net capital of Shanxi Zhenfu after liquidation is thought to be less than CNY500 million. The spotlight on the Shanxi Zhenfu-linked trust comes as concerns mount over similar products tied to other miners in the coal-rich province. Liansheng may default on its CNY384 million trust product issued in November 2012, while Xin Bei Fang said it was unable to pay the expected yield of its CNY1.3 billion trust product this month, the South China Morning Post reports.

- The People's Bank of China (PBOC) announced that “preparations are basically ready” to launch the deposit insurance system to protect savers against the risk of bankruptcy and which forms an integral part of the planned interest rate liberalization. Guo Tianyong, Professor with the Central University of Finance and Economics, said he expects the insurance scheme to be launched early this year. The deposit insurance will probably cover up to CNY500,000 for an individual depositor, Guo said.
- China’s new yuan loans slowed in December amid a liquidity squeeze while the rise in money supply also eased as part of the government’s efforts to rely less on credit expansion for economic growth. New yuan lending slowed to CNY482.5 billion last month from CNY624.6 billion in November. For 2013, banks extended CNY8.9 trillion of new loans in total, the People’s Bank of China (PBOC) said. The broad money supply M2 rose at a slower pace of 13.6% year-on-year at the end of December, down from a 14.2% increase a month earlier and 13.8% in 2012.
- China's fiscal position is weaker than official data shows but not significant enough to cause alarm, the International Monetary Fund (IMF) said in a report. The IMF estimated that the country's augmented fiscal debt, which mainly refers to borrowing by local governments, rose to about 45% of its CNY51.9 trillion gross domestic product (GDP) in 2012. The biggest challenge for the central government, it added, was setting up a better framework to manage and monitor local government borrowing in order to prevent the accumulation of additional risks and ensure adequate financing for priority social and infrastructure spending.
- China has granted licenses to import gold to two foreign banks – Australia and New Zealand Banking (ANZ) and HSBC – for the first time. Allowing more banks to import gold could increase the supply of the metal into the country, easing local prices that are higher than in most other Asian countries. China's gold imports more than doubled last year to over 1,000 tons. Some sources said China Everbright Bank has also received approval to join the nine local banks already allowed to ship gold into China. Beijing strictly controls how much the banks import through a quota system.
- The China Banking Regulatory Commission (CBRC) and the China Insurance Regulatory Commission (CIRC) jointly issued a guideline to banks and insurers demanding tighter requirement and risk disclosure of bancassurance products.
- China's holdings of U.S. treasuries increased by USD12.2 billion to a record USD1.317 trillion in November, data of the U.S. Treasury Department shows. China’s foreign exchange reserves reached a world record USD3.82 trillion at the end of last month. Capital inflows and intervention to limit gains in the yuan have contributed to the central government building up currency holdings that are a third of the global total.
- The China Banking Regulatory Commission (CBRC) has set up a leadership group on banking industry reform headed by its Chairman Shang Fulin. The focus of reform will be on the areas of wealth management and interbank business.
- Rapidly rising renminbi transaction volumes are supporting London's ambition of becoming the Western world's offshore yuan center, according to figures released by the City of London Corp. Trade finance transactions using the Chinese currency totaled CNY27.94 billion in the first half of 2013, up from CNY13.8 billion a year earlier. The daily average trading volume of renminbi-related foreign exchange products expanded to USD22.3 billion, up from USD11.6 billion.
- The top four Chinese state banks speeded up new lending this month, handing out loans of CNY320 billion in the first 12 days of the month, versus CNY270 billion over the same period a year earlier. New loans could top CNY1 trillion yuan this month.

FOREIGN INVESTMENT

ODI on the way to equal FDI

China is moving nearer to a long-pursued goal of achieving balanced capital flows, with outbound direct investment (ODI) soon to surpass foreign direct investment (FDI) to the country. “Maybe this year, or in two years, China's outbound direct investment will exceed its

FDI," Commerce Ministry Spokesman Shen Danyang said at a news briefing. Last year, China's ODI trailed FDI inflows by more than USD20 billion, the Ministry said. ODI and FDI don't include investment in the financial sector. Shen said achieving balanced capital flows will be good for the whole world as well as for China's commercial cooperation with other economies. FDI rose by 5.25% year-on-year to USD117.59 billion last year, while ODI increased by 16.8% to USD90.17 billion, both growth rates being better than the global average, Shen said. China was the world's second-largest recipient of global FDI and third-largest investor in 2012. Ministry Spokesman Shen said that in 2013 China may have been targeted by the most anti-dumping investigations in the world for 18 consecutive years. It may have also faced the most anti-subsidy investigations for eight consecutive years last year. Wang Jun, Expert at the China Center for International Economic Exchanges, a government think tank, said that boosting overseas investment, including that by individual investors, is an important strategy for China.

Foreign direct investment rises 5.25% in 2013

China's foreign direct investment (FDI) expanded 3.3% to USD12.08 billion in December compared with the same month a year earlier, extending growth for the 11th straight month, the Ministry of Commerce (MOFCOM) said. Total FDI for 2013 reached USD117.58 billion for 2013, up 5.25% on an annual basis. Foreign investment flowing into the services sector jumped 14.15% to USD61.4 billion last year, making up 52.3% of the overall figure. Investment from the European Union rose 18% to USD7.2 billion in 2013, while that from the U.S. jumped 7.13% to USD3.35 billion, but Japan's investment in China decreased 4.28% to USD7 billion. "We are confident that China can continue a healthy FDI growth momentum this year, based on recovering external demand, China's outstanding comprehensive strength and people's confidence in the country," MOFTEC Spokesman Shen Danyang said. He added that China will strengthen efforts to expand outbound investment through streamlining administrative procedures, upgrading services and providing investors with the latest investment information.

Actavis pulling out of China

Actavis, the world's second-biggest generic drug maker by market capitalization is pulling out of China because of its difficult business climate, Chief Executive Paul Bisaro said in San Francisco. The company had sold one operation there and was in talks to sell another, he said. "China is just too risky," he added. Actavis, based in Dublin, has been expanding rapidly around the world through acquisitions. Its China business had a few hundred employees and contributed €4 million to €5 million in profit, Bisaro said. Actavis has not faced any accusations of corruption, but Bisaro said if such legal problems arose in China, he was not sure the company would get a fair hearing. "If something goes wrong, you need to be able to go to the government and say 'help me'. And if the government says no, that's a problem," he said. Given Actavis' small presence in China, "it wasn't worth the aggravation, the frustration or the concern", he concluded.

- Industrial output in the Tianjin Economic & Technological Development Area (TEDA) expanded 13% last year to CNY805 billion, according to Xu Hongxing, Chairman of TEDA's Administrative Commission. Actual foreign direct investment (FDI) in the region increased 9.8% to USD5.5 billion. More than 5,000 foreign enterprises from some 60 countries and regions have registered or invested in TEDA. By 2015, the output of TEDA's emerging industries is forecast to exceed CNY300 billion.
- Japan's direct investment in China fell 4.28% to USD7.06 billion last year, which represented about 6% of China's overall foreign direct investment (FDI), the Ministry of Commerce (MOFCOM) said. This year, Japan's direct investment in China is expected to be the same as last year or perhaps slightly larger. China's outward direct investment (ODI) in Japan plunged 23.5% in 2013, compared with the 16.8% increase of China's overall ODI last year.
- China and the European Union will open negotiations this week on a bilateral investment agreement, EU Ambassador to China Markus Ederer told a news conference. The agreement is intended to consolidate and replace existing bilateral agreements with individual EU member states. At present, only 2% of the EU's total outward direct investment (ODI) goes to China and only 3% of China's ODI flows into the EU.
- The U.S. government agency USAID is considering partnering with Chinese state

firms in financing the USD12 billion Inga 3 dam in the Democratic Republic of Congo. A Chinese consortium comprising Sinohydro and China Three Gorges Corp, both state-owned enterprises (SOEs), are bidding for the project. If the Chinese consortium wins the contract, it will be the biggest overseas dam contract ever won by Chinese firms. Inga 3 will have a capacity of 4,800 megawatt (MW) and is one of the largest hydropower projects in Africa. The Inga 3 dam is part of the Grand Inga plan, a USD80 billion complex of 11 dams and six hydropower projects on the Congo river.

FOREIGN TRADE

Mainland-Taiwan trade up 16.7% last year

Trade volume between the Chinese mainland and Taiwan reached USD197.2 billion last year amid closer cross-strait ties, a year-on-year increase of 16.7%. Mainland authorities approved 1,804 projects for Taiwan investors in 2013, with USD1.89 billion in investment from the island, said Ma Xiaoguang, Spokesman for the Taiwan Affairs Office of the Chinese government. Fifty mainland companies invested USD117 million in Taiwan last year. Taiwan's trade surplus with the mainland reached USD116 billion last year, Ma said. The mainland has been the biggest source of tourists to Taiwan, with nearly 2.19 million mainland tourists going to the island last year, 11% more than in 2012. The Taiwan Tourism Bureau announced that the island will lift its daily quota for individual tourists from the mainland to 4,000 in the first half of 2014, compared with the previous ceiling of 3,000. The number of passenger flights across the Strait rose from 616 to 670 last year and will soon increase to 828.

- Trade between China and Japan is expected to remain lackluster this year due to deteriorating relations. In 2013, Japan was China's fifth-largest trade partner. Bilateral trade declined 5.1% year-on-year to USD312.55 billion, accounting for 7.5% of China's total trade value, according to the General Administration of Customs (GAC). China's exports to Japan went down 0.9% to USD150.28 billion while Japan's exports to China declined 8.7% to USD162.27 billion, leaving China with a trade deficit of USD11.99 billion.
- The foreign trade value of a sample of 2,000 companies in the Pearl River Delta region increased only by 1.74% year-on-year in 2013, according to a report by online foreign-trade outsourcing services provider Shenzhen Onetouch Business Service Co. “The fluctuation of exchange rates, especially the rising value of the yuan, and the increased labor and production costs posed great challenges for small and medium-sized exporters,” said Xiao Feng, Deputy General Manager of the company.
- The Guangdong provincial government expects the province’s total trade to expand only 1% in 2014 due to uncertain global demand and the province's efforts to develop a new economic growth model. In 2013, Guangdong's total trade expanded 10.9% to exceed USD1 trillion. Guangdong plans to no longer rely heavily on trade to maintain economic growth. In 2014, the local authorities will start construction of 285 key investment projects valued at CNY450 billion, according to the government’s report to the local legislature.
- President Xi Jinping called for the early signing of a free trade agreement (FTA) between China and the Gulf Cooperation Council (GCC), which in 2013 accounted for 70% of the trade volume between China and the Arab League member countries. Last week, GCC delegates attended the third round of talks with China in Beijing. Foreign Minister Wang Yi co-chaired the negotiations with Kuwaiti Deputy Prime Minister and Minister of Foreign Affairs Sabah Al-Khalid Al-Hamad Al-Sabah. Kuwait holds the Council's rotating presidency this year.
- Shanghai Mayor Yang Xiong promised substantial progress on the city's free trade zone (FTZ) this year, saying it was the city's No 1 task and a national strategy that must be given priority. At the annual meeting of the city's legislature, he underscored the significance of making the yuan fully convertible inside the 28.8-square-kilometer testing ground for economic reforms in the country. In his report, Yang forecast growth in Shanghai's gross domestic product (GDP) would fall to 7.5% this year from 7.7% last year.
- China's Commerce Ministry has condemned a USD1.1 trillion spending bill passed by the U.S. Congress over clauses that limit technological purchases from China, saying they clash with the principle of fair trade. The bill, signed by President Barack Obama,

included a cyber-espionage review process for federal purchases of technology from China. U.S. curbs on foreign access to satellite technology since 1999 have effectively banned the export, re-export or transfer of this equipment or know-how to China.

HEALTH

GSK's sales in China improve despite bribery probe

GlaxoSmithKline (GSK) said sales in China, where the company faces a bribery probe, have improved since the third quarter, when revenue plunged 61% year-on-year. Allegations by the central government that GSK bribed hospitals, doctors and officials drove sales to some competitors with similar products.

IPR PROTECTION

Official launch of new EU-China intellectual property cooperation

Carmen Cano, Deputy Head of the European Delegation to China, Zhang Xiangchen, Chinese Vice Minister of Commerce and António Campinos, President of the Office for Harmonization in the Internal Market (OHIM), have launched the New EU-China Cooperation on Intellectual Property. The European contribution to the New EU-China Cooperation on Intellectual Property is funded through the cooperation action called "IP: A Key to Sustainable Competitiveness (IP Key)". Building on the solid foundations created by the previous EU-China projects IPR1 and IPR2, the new action will be implemented over a period of three years by OHIM, the EU´s largest intellectual property agency, in partnership with the European Patent Office. On the Chinese side will be the Department of Treaty and Law of the Ministry of Commerce, coordinating the Chinese contribution to the cooperation action, with the participation of more than 15 Chinese IP authorities.

The first Yearly Action Plan for 2014 was agreed by the EU-China Joint Platform last December, paving the way to implement more than 20 framework activities of mutual interest covering the whole spectrum of IP rights. Besides activities to support the EU-China IP Dialogue and IP Working Group, the action plan includes the promotion of both the Chinese and EU IP systems in their respective jurisdictions and the EU-China Customs cooperation on IPR, peer-to-peer exchanges on legal and administrative IP issues – including best practices, assistance in drafting IP law revisions and implementing regulations – and the compilation and publication of databases on IPR issues. The IP Key team consists of seven dedicated technical experts and assistants on the ground in Beijing, helped by a strong support team in OHIM´s headquarters in Alicante, Spain. A significant number of specialized short term experts will assure a successful implementation of the activities.

- U.S. health care firm Johnson & Johnson may no longer be permitted to use its world-famous "OneTouch" trademark in China after the the Trademark Appeal Board of China's State Administration for Industry and Commerce (SAIC) ruled to revoke it. The company will appeal the ruling. Johnson & Johnson got the trademark in China in 2004 for a line of blood glucose meters and test strips used by diabetes patients. The Trademark Appeal Board ruled that "One Touch" belongs to a category of medical subject headings and cannot be used as a trademark according to Chinese laws.
- The State Intellectual Property Office (SIPO) received nearly 2.4 million patent applications last year, an annual increase of 15.9%. There were 825,000 invention patent applications, increasing 26.3%, marking the first time that the number of invention patents has surpassed that of patent applications overall. Some 208,000 were granted. SIPO officials said that the trend indicates an increasingly optimized patent structure and rising patent quality.

MACRO-ECONOMY

Chinese yarn makers moving abroad

Chinese yarn makers, crippled by artificially high prices for cotton at home, are shifting production overseas to secure cheaper raw materials, even going as far afield as the United States. The world's largest firms such as Hong Kong-listed Texhong Textile and Shanghai-listed Bros Eastern are leading the charge abroad. The trend looks set to boost demand in international cotton markets, bolstering prices that climbed 13% last year when U.S. farmers planted their smallest crop in four years amid worries over record global inventory. About 15 Chinese cotton mills had set up in Vietnam in the past 18 months. Of the approximately 250 million spindles worldwide, about 120 million are in China, compared with 48 million in No 2 yarn maker India, International Textile Manufacturers Federation (ITMF) data shows. China's state reserves were paying CNY20,400 per ton of cotton last year, almost double New York futures. “Almost everybody, especially India, Indonesia, and even South Korea and the U.S., are more competitive than China if you include raw material costs,” said ITMF Director General Christian Schindler. Hangzhou-based Keer, expected to break ground on a USD218 million spinning factory in South Carolina next month, is on track to be the first Chinese yarn maker to set up in the U.S. Keer Chairman Zhu Shanqing said the investment was driven by proximity to cotton producers and access to the port of Charleston, from where it would ship yarn back to China. Lower international cotton prices were also a major incentive for the 30,000 tons a year factory, the South China Morning Post reports.

China's GDP up 7.7% in 2013

China’s economy expanded 7.7% last year, unchanged from the previous year, which had been the slowest growth since 1999, official data showed. Gross domestic product (GDP) growth in 2012 was restated earlier this month from a previous reading of 7.8 %. In last year’s fourth quarter, GDP grew 7.7% from the same period last year, a bit slower than the 7.8% in the third quarter, the National Bureau of Statistics (NBS) reported. The annual expansion was higher than the government’s official target of 7.5% growth for last year. The slightly slowing growth momentum in the fourth quarter may indicate that a government-guided investment push since the middle of last year may have moderated a bit amid tightening credit supply. “GDP growth this year is likely to accelerate to about 7.9% thanks to improved external demand, though the road of recovery may be still bumpy,” Everbright Securities Analyst Xu Gao said. Some economists have forecast that Beijing will likely keep this year’s GDP growth target unchanged at 7.5%, as external demand is expected to rebound from the previous year along with the gradual recovery in the global economic environment, while the domestic urbanization push is likely to fuel fresh demand for local infrastructure projects. Other analysts believe the GDP target may be reduced to reflect the focus on quality instead of speed of growth. Industrial output grew 9.7% last month from a year earlier, while retail sales rose 13.6%. Fixed-asset investment (FAI) grew 19.6% last year from a year earlier, the South China Morning Post reports.

- The number of newly-registered enterprises in China surged 27.6% year-on-year in 2013 as the country implemented measures to streamline business administration. A total of 2.5 million new companies were set up last year, according to a report by the State Administration of Industry and Commerce (SAIC). The report also showed China had 15.28 million businesses at the end of last year, up 11.8% from a year earlier. Their registered capital rose 17.37% to CNY96.88 trillion.
- The World Bank has lowered its expectation of China’s economic growth this year to 7.7% from the previous 8%, the bank said in its Global Economic Prospects report.
- Macao gambling magnate Lui Chewoo of Galaxy Entertainment has replaced Hong Kong tycoon Li Ka-shing as Asia’s richest man, while Tencent Chairman Pony Ma edged out Baidu Founder Robin Li as the richest man on the Chinese mainland. Lui has a fortune of USD29.6 billion, about USD100 million ahead of Li Ka-shing. Pony Ma has a net worth of USD13 billion.
- The central government pledged in a key policy document to respect farmers' rights while reaffirming its commitment to grain self-sufficiency and rural land reforms. The broad policy statement was released as part of the so-called No 1 Central Document, which is issued jointly every January by the Communist Party's Central Committee and the Chinese government. The document sets priorities for the 12 months ahead and has focused on rural matters for 11 straight years.

MERGERS & ACQUISITIONS

CIC expected to acquire infrastructure and technology companies

China Investment Corporation (CIC), China’s sovereign wealth investment fund, is poised to launch a buying spree in global infrastructure projects and advanced technology companies after deleveraging in the U.S. and European private sectors has run its course, Ding Xuedong, Chairman and Chief Executive of the USD575 billion fund said. The positive statements on the U.S. private sector market come at a time when the investment firm is rumored to be moving its North America headquarters to New York from Toronto. U.S. stocks represented 49.2% of CIC's diversified equity investments in 2012.

- China's Bright Food has agreed to buy Australian dairy company Mundella Foods through its Australian subsidiary Manassen Foods that it bought in 2011. The transaction value would be finalized once Mundella's 2013 financial results were available. Interest in Australian dairy assets has grown due to surging sales in Asia. A take-over battle for the country's oldest dairy producer, Warrnambool Cheese and Butter Factory, has been one of the most hotly contested in recent months.
- Power Assets, the international utility firm controlled by Hong Kong tycoon Li Ka-shing, says an investment of up to HKD10 billion in its HK Electric Investments spin-off by State Grid of China opens the door to future cooperation in deals outside Hong Kong. State Grid, the monopoly power distributor in 26 Chinese provinces and regions, has pledged to buy 35.9% of the 4.43 billion trust units on offer, or 18% of the entire trust firm.

PETROCHEMICALS

Growth of China’s oil consumption slows

Growth in China’s oil consumption slowed to an annual rate of 1.7% in 2013 as stricter requirements on environmental protection drove natural gas demand. The country’s total consumption of oil reached 498 million tons last year. The 1.7% increase marked a decline of 2.8 percentage points compared with 2012, according to a report by the CNPC Economic and Technology Research Institute. 58.1% of China’s oil consumption depended on overseas supplies in 2013, flat from 2012. The report also forecast that oil consumption this year will continue to expand to 518 million tons, growing around 4%. Growth in oil consumption slowed last year as the government took a tougher stance on environmental protection following heavy air pollution affecting a large part of the country since early 2013. The slowdown contrasts to a surge in natural gas consumption. The report estimated that China’s natural gas consumption expanded 13.9% last year and that imports jumped 25% to 53 billion cubic meters. Duan Zhaofang, Researcher at the Institute, predicted natural gas consumption will grow 11% this year to 186 billion cu m. The volume of imported gas experienced a marked increase last year, rising 25% to 53 billion cu m. Pipeline gas accounted for 52.8% or 28 billion cu m and liquefied natural gas accounted for the rest.

CNPC's output hits record

The overseas oil and gas output of China National Petroleum Corp (CNPC) was 123 million metric tons in 2013, the first time it surpassed the 100 million mark, as the company is boosting its international presence. This was up 18.1% year-on-year. Zhou Jiping, CNPC's Chairman, said at the company's annual working conference that 2013 was a special year with many challenges. “Amid falling international oil prices and with many counterparts facing declining profits, CNPC achieved an increase in both revenue and profits,” he said. “The total domestic and overseas oil and gas output reached 300 million tons, a record high.” The company's overseas business has been the main driver behind the increase of its oil and gas output in recent years. CNPC sold 350 million tons of oil and gas in 2013, up 15.4% year-on-year, with a trading volume of USD266 billion, an increase of 10.9% compared with the previous year. Liao Yongyuan, CNPC's General Manager, said the company is targeting a production of 329.67 million tons of oil and gas equivalent in 2014. The company made M&A deals worth USD14.9 billion to acquire foreign assets in 2013, making it the oil company that spent the most among Chinese peers.

- The U.S. Securities and Exchange Commission (SEC) has warned it might take action against listed PetroChina after the company admitted for the first time to doing business with its state-owned parent that involved countries under U.S. sanctions, including Iran and Sudan. PetroChina said on the New York Stock Exchange website last month that it processed crude oil imported from Iran and Sudan by China National United Oil Corp, a subsidiary of PetroChina's parent, China National Petroleum Corp (CNPC), in 2012. PetroChina is listed in Shanghai and Hong Kong. It also has

American depositary receipts (ADRs) traded in New York, bringing it under the jurisdiction of the SEC.

REAL ESTATE

Home prices increasing more slowly

Home prices continued to rise in the majority of Chinese cities in December but the number registering smaller gains rose, according to data by the National Bureau of Statistics (NBS). Excluding government-subsidized affordable housing, prices of new residential properties climbed month-on-month in 65 of the 70 cities monitored by the Bureau, compared with 66 in November. In December, 39 cities recorded smaller monthly gains in new home prices – seven more than in November, while 36 saw smaller increases in existing house prices, three more than the previous month. In Beijing, Shanghai and Guangzhou, month-on-month new home price growth narrowed by 0.1 percentage points compared with November, while in Shenzhen monthly growth narrowed by 0.4 percentage points. On a year-on-year basis, 69 cities recorded price hikes, unchanged from November. Smaller yearly gains in new home prices were recorded in 29 cities – an increase of 19 on November. 16 cities registered smaller increases in existing house prices from a year earlier, up 11 compared with November. Among first-tier cities, new home prices in Guangzhou rose 0.7% from November, in Beijing and Shanghai they climbed 0.6% and in Shenzhen advanced 0.5%. Year-on-year, prices rose in December 20.6% in Beijing, 20.4% in Guangzhou and 20.3% in Shenzhen. Prices rose 21.9% in Shanghai last year, leading 70 major cities monitored by the National Bureau of Statistics. "Home price rises further moderated in December, showing that market expectations are stabilizing after a slew of measures taken recently by the first-tier and some second-tier cities to step up tightening efforts and increase the supply of affordable homes," said Senior Bureau Statistician Liu Jianwei. Yang Chenqing, Analyst with the private property consultancy CRIC, said the four first-tier cities and some second-tier cities stopped approving pre-sales of expensive properties and suspended sale registrations of projects with fast-rising prices in December, artificially lowering average prices. CRIC predicted home supply would increase in 80% of its 14 sample cities and remain stable elsewhere this year compared with 2013. For example, supply would rise 40% in Beijing and 20% in Shenzhen.

- First-tier cities, led by Beijing and Shanghai, remain preferred sites for office investment in China despite rather low net yields, CBRE concluded after tracking 15 major Chinese cities. Net yields for office investments in these cities range from 4% to 5%. Beijing topped the MarketScore ranking due to its strong historical rental performance, low vacancy rate and limited future supply. Shanghai was second due to a strong net take-up and the highest investment liquidity. Wuhan was third although abundant future supply will curb rental growth in the near term, CBRE said.
- Developer Shanghai Greenland Group agreed to form a strategic partnership with China Southern Airlines to develop mixed-use real estate projects in or around airports. Initially, the two companies will focus on Shenyang, Harbin, Changchun and Dalian. Greenland, which signed a similar deal with China Eastern Airlines in August, said it expects its operational income to rise to CNY400 billion this year from CNY330 billion in 2013.
- The gain in China's land prices is likely to slow down in the first quarter of this year because measures to curb rising home prices remain in place, the Ministry of Land and Resources forecast. The average price of land for housing development rose 8.95% year-on-year to CNY5,033 per square meter between October and December, the fifth straight quarter of rapidly-rising prices.

RETAIL

Wealthy Chinese spend more overseas

Overall spending by wealthy Chinese fell by 15% in 2013, the third consecutive year of decline, according to a Hurun Report survey. Spending on gifts in particular declined by a quarter. The drop coincides with a government crackdown on corruption and giving gifts, as well as a growing penchant for traveling and shopping overseas to circumvent Chinese taxes on luxury goods as high as 40%. One in three so-called high net worth individuals have already left, or are planning to leave, the country, according to the report. Over two-thirds of luxury spending by Chinese mainland residents was overseas in 2013, a factor that contributed to the United States overtaking China as the world's fastest growing luxury market, according to a study by consultancy firm Bain & Co in December. China's super-rich are also avid collectors. Ancient calligraphy last year surpassed luxury watches as the most-collected, knocking watches out of the No 1 spot for the first time in five years, the Hurun report showed, which could mean losses for top watchmakers but a boon for auctioneers. Patek Philippe remained the most popular watch brand for the seventh year running while Christie's was the top ranked foreign auction house. The survey results were based on responses from 393 Chinese millionaires, or those with personal wealth of at least CNY10 million. It has been conducted for the past 10 years.

- Yum! Brands, owner of the KFC and Pizza Hut brands, said its China same-store sales rose 2% last month, trailing analysts' estimates of 6%, as its fried chicken and pizza chains face more local rivals. Sales at KFC stores open at least 12 months in China rose 5% in December, the company said in a filing. Same-store sales at Pizza Hut fell 3%. The company, which has about 4,460 KFC and 1,100 Pizza Hut locations in China, is enduring more competition from local dining chains such as Dicos and Hua Lai Shi.

SCIENCE & TECHNOLOGY

Chinese Professor receives Von Karman Award

Professor Wu Meirong, former Director of the China Resources Satellite Application Center, received the Von Karman Award, one of the most prestigious awards in space science, in Washington. She is also the first woman to win the top prize. The annual award was established in 1982 by the International Academy of Astronautics, the world's largest space research community, to honor the memory of Theodore von Karman, a founding father of human space flight. Rocket scientist Liu Jiyuan became the first winner from China in 2011. "To a space scientist, the Von Karman Award is as high a recognition as you can get from your peers," Cao Jinbin, space physicist at the Beijing University of Aeronautics and Astronautics, said. After graduating from the Moscow Power Engineering Institute in the 1950s, Wu Meirong joined the team developing China's first long-range missiles and made critical improvements on the weapon's performance. She spent more than five years lobbying high-ranking officials in the military and various ministries on the development of civilian satellites for disaster relief and geological surveys in the 1990s. The national satellite application center that she founded now runs six advanced earth observation satellites providing a large volume of data to research institutes and governments in many countries.

STOCK MARKETS

CSRC tightens supervision over IPOs

The China Securities Regulatory Commission (CSRC) announced tighter supervision over IPOs, saying that any company that priced its IPO at a premium for its industrial peers in the secondary market, measured by respective price-to-earnings ratios, should publish repeated risk warnings for three weeks before taking online subscriptions from retail investors. The CSRC also said it would conduct spot checks of bookbuilding and road shows. Any issuer or major underwriter that applies undisclosed information during its road show may see share issuance suspended and be subject to punishment. The first round of IPOs in January and February are expected to revitalize small-cap shares and boost the ChiNext board. New IPOs are expected to be priced at 30 times to 40 times their earnings per share, down from the 60 to 80 levels in 2010. In March the securities regulator is set to increase the supply of new shares in order to bring down offering prices. To facilitate the upcoming shift to a registration-based IPO system, the regulator will accelerate the pace of new offerings to clear out a backlog of IPOs. The market is expected to see 15 to 20 new offerings per week between March and June. The benchmark Shanghai Composite Index lost roughly 7.5% in 2013, marking another year of decline, but the ChiNext Index, the Nasdaq-style board tracking China's growth enterprises, had soared by 83% year-on-year at the end of 2013. Li Kefei, head of China equity capital markets at UBS Securities, said big state-owned companies that have low price-to-book ratios are most likely to be the first to try out preferred shares, a concept that was introduced by the CSRC in its latest reform guidelines published in November. Chinese regulation prohibits companies with price-to-book ratios below one to issue regular shares, so issuing preferred shares gives such companies a way to raise funds, the China Daily reports.

- Six Chinese companies announced last week that they were postponing initial public offerings (IPOs). The China Securities Regulatory Commission (CSRC) denied that it put pressure on the companies to postpone their IPOs. The six companies were NetPosa Technologies, Hebei Huijin Electromechanical Co, Nsfocus Information Technology Co, Beijing Forever Technology Co, Ciming Health Checkup Management Group Co, and Jiangsu Aosaikang Pharmaceutical. There are nearly 750 more companies still queued to list.
- Harbin Bank is set to become the first bank to list in Hong Kong this year. The city commercial lender plans to raise up to USD1 billion. If successful, the firm would seek a listing in the middle of the year, depending on market conditions. Many Chinese banks, especially small city banks like Harbin Bank, are keen to boost their capital base to cope with declining capital adequacy ratios, a high level of non-performing loans and limited market penetration. Founded in 1997, Harbin Bank has 15 outlets and owns 24 rural lenders nationwide. At the end of 2012, the bank had total assets of CNY270.4 billion and total liabilities of CNY253.1 billion.
- China's first post-reform IPO finished its first trading day on January 17 with a 43.5% rally. Neway Valve (Suzhou) Co issued 82.5 million shares at CNY17.66 a share. Shares closed at CNY25.34. In comparison, Zhejiang Shibao Co, the last company to issue shares before IPOs were suspended in 2012, saw its shares skyrocket by 650% on the first trading day, which was November 2, 2012, in Shenzhen.
- AAG Energy, which extracts natural gas trapped in coal seams in Shanxi province, may revive its Hong Kong initial public offering (IPO) plan that was shelved a year ago, Chairman Stephen Zou told the South China Morning Post. U.S. private equity firm Warburg Pincus owns about 30% of AAG, while Baring Private Equity has 25% and Ping An Asset Management 12%. The rest is held by its management and other investors.

TRAVEL

Train tickets still difficult to get for many travelers

Railway authorities have admitted they have no quick fix to the ticketing woes of previous years. Some people will have trouble securing a train ticket home, they admitted, as the 40-day travel rush around the Chinese New Year began on January 16. The world's busiest railway system is expected to handle a record 258 million journeys – an increase of almost 8% from last year – during the largest annual human migration on earth. The travel period, called chunyun, or “spring transport” in Mandarin, will run until February 24. The first day of the Chinese New Year this year falls on January 31. While China’s transport infrastructure has developed quickly in recent years, passenger flow is also increasing every year. Tickets are still snapped up as soon as they go on sale despite the development of an online booking system. The now-defunct Ministry of Railways recognized the problem as early as 2007 and promised to eradicate the ticket crunch by 2010. In 2009 it rolled the date back to 2012, and in 2011 the target was set for 2015. Hu Yadong, Deputy General Manager of China Railway Corp, only said that the ticket crunch problem will be eased gradually. The Ministry of Transport estimates that about 82 million people will travel each day during the period.

- Chinese visitors to France are to get fast-track visas in 48 hours as part of celebrations marking the 50th anniversary of Paris establishing full diplomatic ties. The new visa regime is due to come into force on January 27. French Foreign Minister Laurent Fabius announced the measure as he unveiled year-long events feting the January 27, 1964 date on which France established diplomatic relations with China. France is the prime European destination for Chinese tourists, with a record 1.4 million visitors from China last year.
- Seven Star Energy Investment, a company in Sichuan province, intends to spend CNY1 billion building the world's first full-scale replica of the Titanic as part of a theme park in Daying county. The replica would be permanently docked on the Qi river, and become the main attraction of a planned theme park. The Titanic stuck an iceberg in the North Atlantic on its maiden voyage in 1912 and sank, killing more than 1,500 people.
- Shanghai’s two airports are expected to handle 9.3 million passenger trips during the Spring Festival travel period this year, up 7.3% on 2013. A total of 70,000 flights are

set to depart from and arrive at the city's two airports during the 40-day period between January 16 and February 24. This is a 5% increase in flights compared to last year. Hongqiao International Airport is set to see some 3.8 million passenger trips and the Pudong International Airport 5.5 million.

- More private companies are welcome to enter the railway transport market, Zhao Guoqing, Chief Engineer of the State Railways Administration, said at a news conference in Beijing. She said her agency has drastically reduced the number of private funded projects that have to go through review and approval procedures. The Administration took over the administrative arm of the former Ministry of Railways (MOR) in March, while the China Railway Corp took over business operations.
- A majority of Chinese say their spending during Lunar New Year celebrations costs more than they make in a month, with some even saying their expenditure is equivalent to their salary for six months, according to a Yanchang Evening News poll. 57% said they were afraid they would not have enough money for the weeklong festivities. Among those who would not make it home, 25% cited money as a reason.
- Chinese tourists made more than 98.19 million visits abroad last year, an 18% increase over 2012. Domestic tourism also remained robust, reaching 3.262 billion visits, a year-on-year increase of 10.3%, with total income soaring to CNY2.63 trillion, up 15.7% year-on-year, figures from the China National Tourism Administration showed. But inbound tourism was not so rosy. The number of inbound tourists who stayed overnight declined by 3.5% year-on-year, with some 55.69 million visits.

VIP VISITS

Bulgarian President visits China

Chinese President Xi Jinping welcomed his first foreign counterpart this year in Beijing as he hosted Bulgarian President Rosen Plevneliev. The two countries signed agreements on marine transportation and the opening of new cultural centers in Beijing and Sofia. Experts said the agreements will increase Chinese investment in Bulgaria. Plevneliev's visit, the first by a Bulgarian President to China in more than 15 years, has also seen the two countries increase their relationship to a comprehensive partnership of friendship and cooperation. The Presidents agreed to further enhance their cooperation in projects such as expressways, tunnels, bridges, airports, ports and railways in Bulgaria. The joint communique also said that agriculture will become a new key sector in the two countries' cooperation. Bilateral trade in goods between China and Bulgaria have quadrupled in the last 10 years, hitting USD1.58 billion in the first 10 months of last year, the Ministry of Commerce (MOFCOM) said.

ONE-LINE NEWS

- Government officials whose spouses have moved overseas – so called "naked officials" – will not be promoted, according to a regulation released by the Organization Department of the Communist Party of China. The restrictions are expected to prevent corrupt officials from fleeing overseas with public funds.
- People who fail to fulfill court orders will face travel, financial and employment restrictions, the Supreme People's Court announced. The court signed a memorandum with six central government departments and China Railway Corp (CRC) to impose harsher restrictions on defaulters, who will be banned from flying or traveling in upper-class sleeper train compartments. Defaulters will also face constraints when applying for a loan or credit card.
- Trade through the Shanghai Diamond Exchange rose 12% to USD4.3 billion in 2013. About 80 million carats changed hands through the exchange last year, up 6.8% from the previous year. As a member of the World Federation of Diamond Bourses, the exchange saw its membership grow to 364 at the end of last year.

ANNOUNCEMENTS

EU SME Center article: The Art of Making Friends

Five Tips for Successful Negotiations with Chinese Business Partners
Business negotiations are a national pastime in China. In a marketplace in which many of the

smaller shops do not mark the price on their products, buyer and seller alike have to rely on their wits and bargaining skills to reach an acceptable agreement. Even in China's booming internet commerce, "face-to-face" negotiations are of vital importance: not one deal is closed on Tabao, China's largest C2C e-commerce platform, without direct discussions on the details of the transaction via instant messaging services. Essentially, business is done between people, not companies, a fact that differentiates the Chinese business world from the European and causes many of the difficulties European negotiators encounter when dealing with business partners in the market.

Since the distinction between the private and the professional is more fluid, emotions and personal preferences can become decisive factors when doing business in China. The Chinese tend to take a 'holistic' view on business and see this as a central aspect of their culture. Therefore, the terms guanxi (relationships or networks) and mianzi (literally 'face', reputation or respect for one's position in the social hierarchy) are part of any entry-level Chinese language class. From an outside perspective, tightly knit networks and awareness of one's relative position in them govern everyday social interaction amongst Chinese to an astonishing degree. Foreigners, and especially Europeans, are usually assigned a rather high position within this social fabric – mianzi therefore oftentimes works to the benefit of the foreign party. Nonetheless, business negotiations can be a daunting challenge for Europeans new to China. Below, we list five tips that will help you level the playing field.

The full article is available on the EU SME Center website.

Vacancy Business Development Manager, China

Job Title: Business Development Manager, China
Department: Sales
Report to: General Manager
External relationships: Line of Business, HR head in Global MNC clients and prospects, Business Partners across global
Internal relationships: Managing Consultants, Consultants, Head Quarter, Finance and Administration
Location: Shanghai, China

Job Purpose:
The purpose of this role is to generate business by proactively selling Competence@ solutions and services to a wide range of clients and prospects, predominantly within Great China market. This includes developing new client relationships, identification and qualifying business needs, working with internal stakeholders to draw proposals of effective solutions, closing agreements with clients, and following up projects.

Responsibilities:
1. Define business development strategy and planning. Execute and follow up accordingly.
2. Proactively identify and develop new business relationships in the target region.
3. 60% of time out the office for client meetings. The key objective being meeting face to face to gain a full understanding of their business and HR challenges and strategies. This is a part of KPI.
4. Fully responsible for the information update of CRM system by managing and maintaining sales pipeline.
5. Responsible for lead generation, appointment setting, proposal delivery and closing contract.
6. Liaise within Competence@ to ensure the highest quality delivery of client projects.
7. Networking on the behalf of Competence@ at relevant events, exhibitions.
8. Attend weekly team meetings and report prospects and project status.
9. Understand and collect competitor information.

Skills, Knowledge and Experience required:

- Strong strategic business development skill
- Strong analytical skills and able to deliver solution for complex situation
- Proven track record in your sales ability and demonstrable comprehensive knowledge of the sales process
- Strong client orientation and sense of responsibility
- A positive and determined approach to analysing new business opportunities
- Close attention to details

- Ability to cope with competing demands, to prioritise tasks and to resist stress
- Strong communication skills in all forms including written, oral, email, telephone, and presentation
- Excellent planning, organisation and time management skills
- Good people skills with positive approach
- Capable of working independently, and a self starter.

Reply to: guy.vandenberge@competencechina.com

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