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AUTOMOTIVE METALS & MINERALS NEWSLETTER | 6

FEBRUARY 2014

AUTOMOTIVE

Vehicle sales soar past record 20 million in China

China became the first country where more than 20 million vehicles were sold in any given year. Wholesale deliveries rose 14% to 21.98 million units last year, the China Association of Automobile Manufacturers (CAAM) said. Sales of vehicles, excluding buses and trucks, rose 16% to 17.93 million. All major foreign carmakers saw record sales in the country last year. But “as more big cities put in place restrictions, carmakers will have to count on smaller cities and inland areas for growth,” said Harry Chen of Guotai Junan Securities. GM saw sales rise 11% to 3.16 million cars last year. Volkswagen outsold foreign rivals in China for eight years, and regained the top spot in the nation's market from General Motors Co. GM overtook Volkswagen in 2005 and held the top spot every year thereafter. The combined sales of Volkswagen and its two joint ventures surged 16.2% last year to 3.27 million units, including about 214,100 imported vehicles (up 13.2%). It was the first time that VW delivered more than 3 million vehicles in a single country. GM and its joint ventures reported sales of a record 3.16 million vehicles in China in 2013. That was a gain of 11.4%, but it fell below the industry's 13.9% growth. The U.S. company sold an average of one vehicle every 10 seconds, almost 9,000 each day in China. During the year, GM will launch 17 new or upgraded models to attract Chinese consumers. Third place went to South Korea-based Hyundai Motor Group. It delivered 1.62 million Hyundai and Kia vehicles to Chinese consumers last year, which was a record high. That represented a year-on-year growth of 16%. Japan-based Nissan Motor Co took fourth position. It said sales in China reached 1.27 million units, a 17.2% year-on-year improvement from 2012. Fifth place went to Ford Motor Co. The U.S.-based automaker sold 935,813 vehicles, up 49.3%. Toyota – the largest automaker in the world – fell out of the top five in China for the first time, even though it reported record sales of 917,500 vehicles, up 9.2%.

Ford Motor posted the biggest growth among major foreign makers, with deliveries surging 49% to 935,813 units, outselling Toyota on an annual basis for the first time. Global leader Toyota fell to No 6 among foreign makers, although sales leapt 9.2% to a record 917,500 units.

New-energy vehicles reach a turning point

China’s alternative-fuel vehicle industry has reached a turning point and is on track for rapid development in the next two or three years, said experts. Ye Shengji, Deputy Secretary General of the China Association of Automobile Manufacturers (CAAM), forecast that sales of electric and hybrid electric vehicles in China will reach 60,000 to 80,000 units this year. Ye made the remark at the Global New Energy Vehicle Conference in January in Haikou, capital of Hainan province. Figures released by the CAAM showed that while overall auto sales hit nearly 22 million units in 2013, only 17,642 were new-energy vehicles, including 14,604 electric cars and 3,038 plug-in hybrids. A new round of subsidies announced by the central government in September are driving the expectations for rapid growth. One key component of the subsidy plan is that “outside” brands must account for at least 30% of new-energy car sales in each pilot city in a move to combat protectionism. The Chinese market for alternative-fuel vehicles has been highly fragmented because of strong local protectionism, which greatly hindered the development of the industry, said Pan Xiaofeng, Managing Director of GSR Ventures, a venture capital fund that invests primarily in early- and growth-stage technology companies with substantial operations in China. “For investors, it's a tough time to make investment decisions, but it's also a good time to enter the market, as the industry may experience explosive growth in 2016 and 2017,” said Pan. Apart from electric buses and taxis, he said he anticipates an increase in low-speed, small electric cars (which are usually used for short-range driving) and plug-in hybrid electric vehicles. In recent years, low-speed small electric cars have seen strong growth in China, with sales reaching 200,000 in 2013, according to Pang Yicheng, CEO of website D1EV, which offers information and trading services for new-energy vehicles, the China Daily reports.

U.S. judge rejects Richard Li's Fisker bid, allows China's Wanxiang to bid

U.S. bankruptcy judge Kevin Gross rejected the planned sale of Fisker Automotive to Hong Kong businessman Richard Li in favor of competitive bidding. The decision opens the way for China's largest car-parts company Wanxiang to bid for the maker of the Karma plug-in hybrid sports car. “I think that, for me, at the end of the case, whether or not the price paid was fair or reasonable, I think an auction will provide that mechanism. That is the most favored method,” Gross said. Gross made the ruling at a hearing in the U.S. bankruptcy court in Wilmington, Delaware, that was held to determine how to proceed with Fisker's bankruptcy. Fisker filed for bankruptcy in November with a plan to forgo the typical route in a Chapter 11 procedure of putting the business on the auction block. Li was planning to “credit bid”, or forgive a portion of what Fisker owed on a USD168 million secured loan. Under the plan, other creditors were likely to get next to nothing. Li bought the loan for USD25 million from the U.S. government at an auction in October. The government extended the loan to the company in 2009 under a program to promote cleaner vehicles. Fisker's unsecured creditors objected to the company's plan and teamed up with Wanxiang, which has said it plans to start the cash bidding at USD35 million. The unsecured creditors said the Wanxiang plan could fetch more than USD0.40 for every dollar owed. Li's company, Hybrid Tech Holdings, said in a statement it was "deeply disappointed" with Gross' ruling. Wanxiang America will square off with Richard Li at a February 12 auction for Fisker.

Beijing's electric taxi drivers complain

Electric taxi drivers in Beijing suffer from battery problems, with overly long charging sessions cutting into time that could be spent driving passengers. Waiting in queues at charging stations is now the norm for many drivers, and charging a vehicle can take up to six hours, according to news portal Caixin. Most vehicles need to charge at least twice daily in order to maintain a "satisfying income level." "At this point in time, there are around 200 electric taxis on the streets of Tongzhou district in Beijing," a driver told Caixin. "But in truth, only about 100 are on the road at any given time, while the other 100 are in a queue waiting to be charged." While there are express stations that can charge the vehicles within one and a half hours, doing so cuts battery life in half, and simply queuing up at an express station is a process that can take nearly three hours. Furthermore, while freshly charged electric taxis can travel about 150 kilometers, many drivers noted that in the colder autumn and winter months, using the car's heater would seriously affect power consumption and require a recharge after every 60 to 80 km. In order to combat battery depletion, some drivers have chosen to restrict their routes in order to ensure that a charging station is always within reach. Others have begun rejecting passengers if the requested destination is too far away. According to current statistics, there are around 1,150 electric taxis in Beijing, with a total of 539 charging stations located throughout the city. Generally, charging stations can service two vehicles at a time.

Tensions rise over Volvo's identity under Geely

The strategic path Volvo Car plans to follow is in question because of discord at the board level between new Chinese ownership and traditional European ways, according to two people familiar with the situation. The 87-year-old Swedish carmaker, acquired by Zhejiang Geely in 2010, is torn between a desire to hang on to its roots – a focus on safety and Scandinavian understatement in car design – and a desire to turn the cars into large, flashy, high-end vehicles prized by affluent Chinese customers and which would compete head-on with BMW, Mercedes-Benz and Audi, the sources said. Chinese tycoon Li Shufu, Founder and Chairman of Geely and Chairman of Volvo since the take-over, is growing increasingly frustrated with Volvo's management team, many of whom are Swedish and other Europeans, according to a Volvo Board Member and another person close to the carmaker, both of whom declined to be identified because they are not authorized to speak to the media. Volvo Spokesman David Ibison denied there is any high-level disagreement within the carmaker. A concept vehicle was unveiled at the Detroit show: a three-door hatchback called the Volvo Coupe XC Concept. But according to sources Li Shufu still believes that Volvo management is meeting his desire for a big plush sedan only halfway, the China Daily reports.

Peugeot Citroen agrees to investment from Dongfeng

PSA Peugeot Citroen's board meeting agreed "in principle" to accept capital investment from the French government and Chinese partner Dongfeng Motor Corp. The two investors will put a combined €3 billion equally into PSA under terms yet to be defined. The investment will give French government and Dongfeng Motor a 15% stake in PSA, making them major stakeholders. The company's largest shareholder, the Peugeot family, will also add a €100 million investment to maintain its holding in the company. PSA hopes to present the outline of a deal with Dongfeng and the French state to investors when it discloses its annual results on February 19. Analysts said the investment will help PSA in new model development as well as market expansion outside Europe. Jia Xinguang, Independent Auto Analyst based in Beijing, said the capital boost for PSA may help Dongfeng make a foray into European markets. Currently, PSA manufactures vehicles in three factories in China, under the joint venture Dongfeng Peugeot Citroen Automobile Co, which was established in 1992 in Wuhan, Hubei province. The venture saw a sales boom of 25% year-on-year to 550,000 vehicles last year. In 2013, Dongfeng Motor sold 3.53 million vehicles in China, a 14.8% increase from a year earlier. In addition to a partnership with Japanese automakers Nissan Motor Co and Honda Motor Co, Dongfeng signed a USD1.3 billion joint venture agreement with Renault in December, the first production facility with the French automaker in China.

Low-speed electric cars show rapid sales growth

While the Chinese market for new energy vehicles is still developing slowly, low-speed electric cars, which are usually used for short-range driving in small cities and the rural-urban fringe, have enjoyed a rapid growth in China in recent years. The annual sales of low-speed electric vehicles hit 200,000 in 2013, rising from less than 20,000 in 2009, said Pang Yicheng, CEO of D1EV.com, a platform offering information and trading services for new energy vehicles. Mainly priced at about CNY30,000, low-speed electric vehicles have a strong market demand, although most of them are manufactured by private carmakers without a government license to produce new-energy vehicles. Therefore, the Chinese government has not yet recognized such vehicles as new-energy cars. To regulate the market for low-speed electric vehicles, some carmakers are calling for the government to establish technical standards as soon as possible by referring to European regulations for light and heavy “quadricycles”. Shandong Tangjun Electric Co sold 11,700 low-speed electric vehicles in 2013 to different provinces including Shandong, Hebei, Henan, Shanxi, Jiangsu and Zhejiang. The company received orders for more than 2,500 units of such cars in January and invested CNY1.5 billion in building a factory with an annual production capacity of 200,000 electric vehicles, said Liu Guozeng, General Sales Manager of the company. As its cars meet the European standards for light and heavy quadricycles, the company has exported more than 17,000 such vehicles to EU member states. China's sales of new energy vehicles increased to 17,642 in 2013 from 12,791 the previous year. The 2013 sales comprised 14,604 electric cars and 3,038 plug-in hybrid vehicles, according to the China Association of Automobile Manufacturers (CAAM), the China Daily reports.

China imports more vehicles

Vehicle imports grew 7.3% to 1.17 million last year, with a strong rebound in the fourth quarter helping make up for a decline in the first half, China Automobile Trading Co (CAT) said. CAT, the country's largest vehicle importer, noted that first-half imports slumped 10.7% to 526,000. That was the first contraction since 2006, when China implemented its World Trade Organization (WTO) commitment to lower the import tariffs for vehicles to 25%. Imported vehicle registrations reached 1.11 million in 2013, up 12.6%. A slowdown in the market for imported vehicles “started in the second half of 2012, as automakers adjusted their product supply because of the domestic market environment. The market touched bottom in the first half of 2013,” said Wang Cun, Senior Manager of CAT. “To ease the pressure of high inventories, dealers made big promotional efforts in the fourth quarter,” he added. In December, Wang said, dealers offered an average 9% price discount for imported vehicles, compared with 8.6% in November and 8% in October. Vehicle imports surged more than 50% year-on-year in the fourth quarter. CAT said that in December, dealers' average inventories of imported vehicles fell to 1.36 times monthly sales, from 2.7 times in May. Wang warned that “dealers of imported vehicles still face high inventory pressure and that will persist in 2014”. By segment, sport utility vehicles (SUVs) remained dominant among imports, with 61.9% of overall sales. SUV imports rose 24.4% last year to 717,000 units. Sedan imports fell 11.6% to 393,000 and imports of multi-purpose vehicles (MPVs) stood at 48,000, down 0.2%, the China Daily reports.

Beijing license plates fetch twice the price of a car on black market

Beijing's clampdown on new car registrations is creating a scramble for license plates and fueling a boom on the black market where prices have hit as high as CNY200,000, almost double the price of China's best-selling car, the Ford Focus. Keen to curb pollution and traffic jams, the capital instituted a lottery in 2011, where it initially awarded plates to one in 10 people hoping to get a car. This year, it will cut the allocation by 40% to 150,000, meaning only one in 150 will get a plate. The long odds have created a thriving black market, even though it is illegal to buy, sell or rent a number plate. Those eager to own a car say they are willing to take the risk. Lawyers say the government can fine people involved in illegal deals and revoke their licenses but the practice is so widespread it is impossible to police. There are several websites that carry hundreds of postings soliciting or offering car plates. So far, four other cities – Shanghai, Guangzhou, Guiyang and Tianjin – have implemented car restrictions and more are expected to follow. Some cities use an auction system while others use a combination of lotteries and auctions. Beijing and Guiyang hand out car plates only through lotteries.

Tesla slashes price of premium car

Tesla announced a lower-than-expected CNY734,000 China price tag for its high-end Model S electric car. The price, still 50% higher than in the United States, includes only “unavoidable” taxes and transport costs, it said. In China, where higher prices mean prestige, Tesla is taking a bold step to win customers and cachet by restricting its mark-up to half of what some of its rivals can command. Though it risks relegating its brand to a lower tier, Tesla's marketing strategy could prove a model for other imported brands, which have come under fire from state media and regulators for allegedly ripping off shoppers with inflated prices. “If we were to follow standard industry practice, we could get away with charging twice as much for the Model S in China as we do in the United States. But we're doing things differently,” Tesla said in the blog post on January 22. The move drew widespread support from consumers. Analysts said the lower price strategy could deter buyers in the premium segment, who are usually willing to spend extra to guarantee quality and cachet. Carmakers often charge steep mark-ups in China. Daimler's high-end Mercedes-Benz SLS AMG model costs CNY3.1 million, 150% above its U.S. starting price. Volkswagen's Audi TT Coupe costs CNY519,000 in China, over twice the U.S. starting price. Tesla is the first car maker to make a clear statement about charging Chinese shoppers the same as in overseas markets, turning transparency into a marketing tactic. California-based Tesla, which plans to open dealerships in 10 to 12 Chinese cities by the end of the year, says it expects China to contribute a third of its sales growth this year, the South China Morning Post reports.

Short news

- The China Auto Industry Award, also known as the Xuanyuan Award, went to the GAC Trumpchi GS5 on January 8. The award is organized by the Chinese-language magazine Auto Business Review and Austria's EFS Business Consultancy. Free of charge, all brands in China were invited to submit an entry for a passenger vehicle that hit the market from January 2012 to October 2013. The GAC Trumpchi GS5 was picked as the award winner in recognition of “building up internationally competitive know-how and delivering first-class excellence”, said the jury.
- Daimler and Mercedes-Benz showed strong sales growth in China last year. Nicholas Speeks, President and CEO of Beijing Mercedes-Benz Sales Services Co, said Mercedes-Benz delivered more than 228,700 vehicles to Chinese consumers in 2013, up 11% over the previous year. In December alone, Mercedes-Benz sales surged by 27% year-on-year to over 24,600 units. In 2013, it added 75 new retail outlets and opened in 36 new locales, bringing its total to 337 dealerships in 151 Chinese cities. This year, the company plans to add 100 new showrooms and cover 40 more new cities.
- China’s armed forces have been told to choose domestic brands when procuring military vehicles.
- Chinese automakers will account for one-third of new auto sales worldwide by 2020 with continuing investment in the sector, according to a report by KPMG. The company’s 15th annual Global Automotive Executive Survey showed that sales are expected to surge in BRIC countries, particularly in China.
- Chinese car companies are shunning the North American International Auto Show in Detroit for the first time in eight years. Chinese car makers are seen as being at least five to 10 years away from selling cars that would meet the North American market's safety and emissions requirements. To date, the only Chinese-made vehicles exported to North America are small trucks and off-road vans such as the Wuling Minimax. Last year, state-owned Guangzhou Automobile Group (GAG) was the lone exhibitor from China. BYD Co is also giving Detroit a miss despite announcing this month that it plans to introduce several models to the U.S. by the end of 2015.
- China's vehicle exports dropped by 7.5% year-on-year to 977,300 last year, according to the China Association of Automobile Manufacturers (CAAM).
- Great Wall Motor pushed back deliveries of the company's most expensive SUV after the motoring press criticized the Haval H8 test drives. Great Wall shares plunged 12% after the announcement, the most in five years, in Hong Kong trading. The delay confirms that Great Wall is struggling with technology and quality. Great Wall decided to push back the H8 by three months after detecting that its CNY201,800 flagship model had issues ranging from the brakes to low steering resistance and excessive noise. Warburton estimated the delay may cost Great Wall about CNY500 million in

unrealized operating profit and engineering expenses in the near term.

- London Taxi Co (LTC), the Chinese-owned taxi maker, has said it is determined to stand up to rivals after London's taxi market enters a new era of zero emissions. LTC, which dominates London's taxi market with its TX4 model, will face new competition from four companies that are producing zero-emission taxis to comply with new regulations set to kick in by 2018. London Mayor Boris Johnson recently announced that all new London taxis to be made from 2018 onward will be zero-emission capable.
- BAIC Motor, partly owned by Germany's Daimler, plans to raise up to USD2 billion in a Hong Kong initial public offering (IPO) in the second quarter of this year.
- Shanghai car plate prices fell 3.4% to CNY73,501 at the first auction of the year, after the authorities reintroduced a fixed price ceiling for first-round bids. For the first time, separate auctions have been introduced for private motorists and organizations. The number of bidders increased ahead of the Spring Festival holiday to 41,946, compared to 39,625 in December. A total of 9,000 car plates – 8,100 for individuals and 900 for organizations – were available in January.
- Shares of Zhongsheng Group rose 8.85% after Jardine Strategic announced it was investing HKD5.6 billion in the car dealer, giving it an 11.1% stake. The deal marks Jardines' first big investment in a listed Chinese company. Zhongsheng operates 163 dealerships in 15 provinces. Toyota and Mercedes-Benz are the firm's two biggest brands, contributing 25% of revenue in 2012.
- Samsung SDI, the world's largest maker of renewable batteries, has signed a deal to build a car battery production facility in Shaanxi province in cooperation with the ARN Group and Xian High-Technology Group. The factory will become operational in 2015. The plant will receive an investment of USD6 million over five years. China is becoming the world's largest market for electric vehicles.
- Zhejiang Geely Holding Group, parent company of Volvo Car Corp and Geely Automobile Holding, is developing a new model at its new research and development (R&D) center in Sweden. The smaller car, developed jointly by engineers from Geely and Volvo, is designed to give Volvo a foothold in the entry-level segment. The car will be produced at Volvo and Geely's joint venture in Chengdu and is positioned to compete with the Ford Fiesta, Honda Fit, Volkswagen Polo and the Toyota Yaris. In 2013, Geely's sales jumped 14% to 549,518 units in China. The company has targeted a 6% sales increase for 2014, based on the overall market's predicted improvement of 8% to 10%.

METALS

Top Chinese steelmakers lose market share amid clampdown

China's fragmented steel industry has seen the market share of its top players fall for two consecutive years as private mills continued to grow, bucking Beijing's repeated calls for local governments to clamp down on expansion in a sector struggling to turn a profit because of overcapacity. Xu Lejiang, Chairman of Shanghai-based Baosteel Group and China Iron & Steel Association (CISA), told an Association meeting the market share of the industry's top 10 steel mills had fallen to 39.1% in the first 11 months of last year from 42.8% in 2011. The industry had posted gains from 2005 to 2011. "Falling concentration not only weakens steel mills' bargaining power against raw materials suppliers, it also makes it more difficult to pass on higher costs to downstream customers," Xu said. Beijing told local government and steel sector leaders in November last year that they must phase out outdated capacity, with 80 million tons to be closed by 2017. Half of the target is supposed to be achieved this year. About 60 million tons will be cut from mills in Hebei province, the nation's biggest steel producer and a major contributor to air pollution in Beijing. The Association estimated last year's industry output at 775 million tons, or 79.4% of capacity of 976 million tons. Output in the first 11 months of last year grew 7.8% to 712 million tons, up 2.1 percentage points from the year-earlier period, Xu said. Although the Association's members posted a combined profit of CNY16.2 billion in the 11 months, compared to a loss of CNY756 million previously, the profit margin of 0.48% was the lowest among all manufacturing sectors, he said. About 28% of its members recorded losses.

Hong Kong gold exchange lobbies for precious metals bourse in Qianhai

The Chinese Gold & Silver Exchange Society, which operates the precious metals exchange in Hong Kong, has set up a concern group to ramp up its lobbying efforts in the Qianhai special economic zone (SEZ) in Shenzhen after the central government said it would create more free trade zones (FTZs). At the exchange's first trading session in the Year of the Horse, President Haywood Cheung said it expected to unveil a legal and logistics framework in the first half of this year for setting up an exchange and a metals warehouse in Qianhai. “The establishment of a metals warehouse and a logistics route, including delivery and transportation solutions, would take about two years once we receive the go-ahead from Qianhai officials and the China Securities Regulatory Commission (CSRC),” said Cheung, who declined to specify the planned size of investment since discussions were ongoing. There are more than 4,000 jewelry manufacturers in Shenzhen. The exchange's call for a bigger presence in Qianhai comes in the wake of the CSRC's plan, announced last month, to open an office there. Qianhai, about an hour's drive from Hong Kong, was named in July 2012 as a test bed for experiments, including the easing of restrictions on flows of the yuan, and greater convertibility of foreign exchange for investment purposes. To attract investors and talent, Qianhai will offer a corporate income tax of 15%, compared with 25% for the rest of the mainland and 16.5% in Hong Kong. Personal income tax will be equalized for an effective rate of 15%, similar to Hong Kong, the South China Morning Post reports.

Short news

- The Shanghai Gold Exchange plans to launch an international board in the city’s pilot free-trade zone (FTZ) in the first half of this year to attract overseas capital to invest in China’s gold market. “We are pushing for the international board to be launched during the first half,” Song Yuqin, Deputy General Manager of the Shanghai bourse said, adding that the contracts on the international board will be priced in yuan instead of foreign currencies. The bourse is now looking for a site for a bonded warehouse in the zone.
- Steelmaker Baoshan Iron and Steel Co (Baosteel) has raised the ex-factory prices for its February mainstay products by between CNY50 to CNY150 per ton. This is the second month in a row the Shanghai-based steel mill has lifted prices. Analysts said Baosteel adjusted up its prices as a result of sufficient new orders from downstream industries, such as car-sheet demand from the auto industry.
- The sales margins of China's major steelmakers averaged 0.48% in the first 10 months of 2013, according to the latest data from the China Iron and Steel Association (CISA). While the sales margin of steel companies was less than 1% in 2012, that figure had been above 2% and was as high as 8% in 2004.

MINERALS

Demand for iron ore and steel to rise in coming years

Although China's economic growth is slowing down, ongoing urbanization will still strongly support demand for iron ore and steel products for a long time. “We have confidence in China's iron ore demand because its urbanization requires a large amount of steel products in the coming years,” said Neville Power, CEO of Fortescue Metals Group, the third-biggest iron ore producer in Australia. Based on the huge benchmark iron ore demand from China, even if it increases at a slower rate in the future, is still a big number, said Power. The view is shared with top officials of other international mining firms. Sam Walsh, Chief Executive of Rio Tinto, said: “The growth in China is still there, China is our most important market.” The company will continue to expand its iron ore capacity in Western Australia to meet growing demand from China. He regarded China as the key driver of iron ore demand because of its continued growth and ongoing urbanization. Li Xinchuang, Dean of the China Metallurgical Industry Planning and Research Institute, estimated earlier this month that China will import 850 million metric tons of iron ore in 2014.

The price of iron ore is predicted to drop this year as growth of China's steel production slows and the supply of raw materials from international mining giants increases, according to industry experts. An estimate from UBS in January said the average price of iron ore would decline from USD120 per metric ton in 2013 to USD110 per metric ton this year, an 8.33% year-on-year decrease.

CNNC acquires 25% stake in Namibian uranium mine

China National Nuclear Corp (CNNC) has agreed to pay USD190 million for a 25% in the Langer Heinrich mine in Namibia from Australia's Paladin Energy. The deal also allows the Chinese company to purchase its pro-rata share of output at the prevailing spot market price, with the option to buy further supplies at market rates. Australian brokerage Patersons Securities expects CNNC's investment to give a boost to uranium prices as the Chinese return to the market after a hiatus of two years. The Namibian mine, with a 20-year lifespan, started production in 2007 and has a production capacity of 5.2 million pounds of uranium concentrate a year at present. Paladin said capacity could rise to 5.7 million pounds in 2014. China currently has the largest pipeline of new nuclear reactors worldwide, with 28 under construction, according to the World Nuclear Association. The deal is China's second major foray into Namibia's uranium sector, following China Guangdong Nuclear Power Group's USD2.2 billion acquisition of the Husab mine in 2012. CNNC controls nine of the country's 17 reactor units and is working on an ambitious reactor construction program.

Steelmakers to invest more in foreign mineral resources

Chinese steelmakers that have lost money because of volatile global iron ore prices should invest more in foreign mineral resources to gain greater pricing power, the National Development and Reform Commission (NDRC) said. The Commission added that Chinese companies should forge a new model of cooperation between upstream and downstream industries, establishing mines and mills with foreign partners. China, which produces about half of the world's steel, has been trying to reduce its reliance on iron ore imports from the three top miners in Australia and Brazil – BHP Billiton, Vale and Rio Tinto – which together control three-quarters of the global seaborne trade in iron ore. Last year, China's imports of iron ore rose 10.2% to 819 million metric tons. The value of imports was up 10.4% to USD105.7 billion. Shipments from Australia and Brazil accounted for almost 70% of the total. Analysts said volatile iron ore prices have exposed steel producers to risks. Liu Xiaoliang, Secretary General of the China Metallurgical Mining Enterprise Association, forecast China's imports of iron ore will exceed 850 million metric tons this year.

Chinese coke exports to Indonesia expected to increase

Indonesia's ban on exports of unprocessed metal ores will boost Chinese shipments of metallurgical coke by as much as 2 million tons a year. In particular, China will supply coke to its firms constructing plants in Indonesia to make nickel pig iron, a substitute for higher-grade refined nickel in stainless steel. The increased shipments underline how Jakarta's drive to transform its economy into a producer of finished goods, rather than simply a supplier of raw materials, is changing the flow of commodities in the region. A surge in exports by as much as 2 million tons annually would dwarf last year's 47,000 tons. That growth would provide fresh impetus to China's overall coke exports, which customs data showed tripled to around 4.67 million tons in 2013 after Beijing scrapped a 40% tax and quota system on coke shipments. The rise in exports is expected to lead to a rise of domestic coke prices, although analysts said the price increase would probably be mild due to a supply surplus in the country. Indonesia provided 58% of China's 71.3 million tons of nickel ore and concentrate imports in 2013, but such shipments have ground to a halt since the ban on ore exports in January. Seven Chinese companies plan to build smelters in Indonesia. Customs data shows that the No 1 buyer of Chinese coke in 2013 was India, with 1.68 million tons. China's overall coke exports last year accounted for around just 1% of the country's total output.

Short news

- Australia is seeking to prosecute a former Executive of private Chinese firm Hanlong Mining Investment on insider trading charges after he was arrested in Hong Kong. The Australian Securities and Investments Commission said Hui Xiao, also known as Steven Xiao, was detained by Hong Kong authorities following a request by the Australian government. Xiao is wanted in Australia in relation to 104 offenses linked to alleged insider trading ahead of Hanlong's takeover bids for Australia's Sundance Resources and Bannerman Resources in 2011. Another former Hanlong Executive, Bo Shizhu, also known as Calvin Zhu, was sentenced last year to two years and three months in jail on related charges.
- IRC, a Hong Kong-listed iron ore miner in Russia's far east that supplies northeastern

China's market, said it expects strategic shareholder General Nice Development to be able to complete its commitment to buy IRC's shares “in the not too distant future”. General Nice had failed to raise enough funds owing to a credit crunch in China at the end of last year. IRC produced 1.03 million tons of iron ore last year, 5.4% more than its target and 6.5% more than in 2012.

- MMG, the Hong Kong-listed overseas mining unit of state-run China Minmetals, will book USD21.6 million of costs related to the ending of production at its gold mine in Laos which could have a significant impact on its bottom line. The company will focus on copper production. In March, MMG is forecast to post a net profit of USD63.55 million for last year. MMG said the gold mine is being closed because of depleted ore reserves, rendering it a loss-making operation. MMG said its total copper output was 187,738 tons last year, up 23% from 2012. Its zinc output was 600,221 tons, down 4% from 2012.

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Flanders Investment & Trade
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This newsletter is realized with the support of the Federal Government of Belgium, the Flemish Government, the Walloon Government and the Government of the Brussels-Capital Region.

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