法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 24 FEBRUARY 2014

One-line news	
Announcements	Deloitte tax alert: New Belgium-China income tax treaty applicable as of 1 January 2014
Advertisements	Hainan Airlines, your direct link from Belgium to China

FCCC ACTIVITIES

Cleantech opportunities for Flemish companies in China – 26 February 2014 – Berchem (Antwerp)

The Flanders-China Chamber of Commerce (FCCC) and Flanders Cleantech Association (FCA) are organizing an information session on “Cleantech opportunities for Flemish companies in China” on 26 February 2014 at FCA, Roderveldlaan 5/1, 2600 Berchem.

Programme:

15h30	Welcome by FCCC and FCA
15h40	“China in a nutshell – Top 3 challenges and solutions from Flanders” by Mr. Dirk Fransaer, CEO of VITO
16h00	“Your product in China? – a roadmap” by Mr. Tom Huysmans, CEO of Liquisol
16h20	“Cleantech opportunities and challenges for Flemish SMEs in China” by Mr. Raf Vermeire, Expert, EU SME Center
16h40	“Intellectual property and your business in China” by Mr. Simon Cheetham, ASEAN IPR SME Helpdesk Team Leader, China IPR SME Helpdesk (English)
17h00	Conclusions and possible next steps
17h10	Networking drink
18h30	End

This workshop provides a unique opportunity to exchange experiences about entrepreneurship in China, more specifically in the cleantech sector.

Please register online by 25 February via this link:
http://www.flanders-china.be/eventdetail.asp?id=325&id_cat=1&cat=up&lang1=

Price: FCCC/FCA Members: €65. Non-members: €95

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials will be organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair will take place on 1 April at 12h00 at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers will be held.

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders – has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) will receive a personal invitation to visit the Graduate Fair. The job market will also be advertised through the Chinese interuniversity student council.

The purpose of the Fair is to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals. Additionally, jobseekers receive ample information about diverse career and further study options available to them. Interested companies are given the opportunity to network with the visitors, introduce them to their business and offer CV analysis.

You are invited to participate in the China Job Market. Reserving a booth, you will have direct access to Chinese students, doctoral students and postdoctoral fellows in all academic disciplines: veterinary sciences, bioscience engineering, sciences, engineering and architecture, economics and business administration, pharmaceutical sciences, medicine, arts and philosophy, psychology, pedagogical sciences and law.

If your company is interested in participating, please register before 28 March 2014 via this link: http://www.flanders-china.be/eventdetail.asp?id=333&id_cat=1&cat=up&lang1=

Participation fee for FCCC Members: €195. Non-Members: €245.

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.

Contacts: Michèle Surinx (T 02 504 87 91), Tijl Vanpraet (T 02 504 87 62).
www.flandersinvestmentandtrade.be

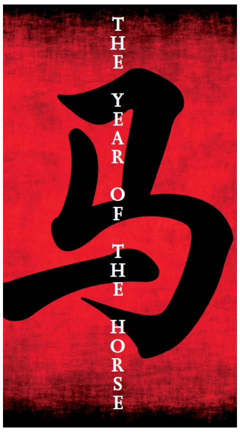
China Europa – 16~18 September 2014 – Shenyang

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

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

PAST EVENTS

FCCC New Year Reception – 13 February 2014 – Brussels



The Flanders-China Chamber of Commerce held its annual New Year Reception on 13 February 2014 at AG Insurance in Brussels.

Addresses were 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;
Mrs Claire Tillekaerts, CEO of Flanders Investment & Trade (who replaced Mr Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy).

Pictures will soon be online at the FCCC website.

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

The Flanders-China Chamber of Commerce (FCCC) organized a meeting with the Ambassador and Consuls General of Belgium in China on 3 February 2014 at BNP Paribas Fortis in Brussels. The event presented an excellent opportunity to brief the Ambassador and Consuls General of Belgium in China on member companies' activities in China.

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; and Mr Evert Maréchal, Consul General of Belgium in Hong Kong addressed the meeting.

Pictures of the event can be downloaded via this link:
http://www.blueclic.com/fccc_newyearreception

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 – organized a briefing on "The Future of Foreign Investors in China" on 22 January 2014 in Brussels. Following the introduction by Mr Egbert Lox, Board Member Flanders-China Chamber of Commerce/Senior Vice President Government Affairs, Umicore; Mr. David Hoffman, Vice President and Managing Director of The Conference Board China Center for Economics and Business, gave an interesting briefing. The briefing took 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 illuminated a set of key considerations for setting realistic objectives for growth and profitability in China, near- to medium-term.

NOTICE

Sponsorship opportunities

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

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

The FCCC remains at your disposal for any further information you might require.

PUBLICATIONS

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

See FCCC Members' Portraits on the FCCC website.

FINANCE

Landmark Wenzhou lending law set to take effect

Wenzhou's financing management regulation, the first local legislation covering private lending, will take effect on March 1. It has been called a breakthrough to monitor and regulate private financing activities, as well as a model for the nation. The regulation is intended to be a formal solution to the financing problems of small and medium-sized enterprises (SMEs) by providing a more regulated system in Wenzhou. The city was selected to conduct trials of financial reforms at the end of March 2012. Regulators and lawmakers recognized the need to regulate the collapsing private-financing system after widespread loan defaults by factory owners and investors led to a crisis. Operating guidelines are expected to be issued in conjunction with the legislation that will clarify definitions and specify the procedures for dedicated bond issues and fundraising. Loans exceeding CNY3 million or with more than 30 lenders, must be recorded at the local financing management bureau within 15 days after the deal is signed. The city has opened 11 registration centers for this purpose. The nation's first private lending credit database will also be launched formally on March 1. “The direct beneficiaries will be SMEs experiencing financial problems, as they can use more methods to raise money legally,” said Zhou Dewen, Chairman of the Wenzhou SME Development Association.

Yuan payment now possible on some foreign e-commerce websites

Domestic consumers will be able to pay in yuan when they shop on some foreign e-commerce websites because China now allows third-party online payment platforms to handle cross-border settlement in yuan. Five payment companies, including ChinaPay and Orient Electronic Payment Co, signed agreements with five banks – the Industrial and Commercial Bank of China, the Bank of China, China Construction Bank, China Merchants Bank and China Minsheng Banking Corp – to offer yuan payment services on five overseas e-commerce websites mainly based in Hong Kong. Online payment companies registered in Shanghai or having branches in the pilot free trade zone (FTZ) can provide cross-border yuan payment services for trading of goods and services, the Shanghai headquarters of the People’s Bank of China (PBOC) said. Individuals and companies can use the payment platforms to settle their orders in yuan to shorten the transaction period and avoid exchange rate risks. But payment companies said it will take time to expand the service to popular foreign online shopping destinations such as the U.S. as the yuan is not yet widely accepted there. The move marks the first of the central bank’s 30 ground breaking financial reform measures in the zone.

RMB Index reaches record high

The Cross-border RMB Index (CRI) of the Bank of China (BOC) – designed to measure renminbi activity in the global market – rose by a record 56 points in the fourth quarter of 2013 year-on-year to 228, breaking the threshold of 200 for the first time. In the fourth quarter last year, renminbi settlement in China's imports and exports increased by 30% over the previous quarter, pushing the CRI up by 20 points. Total cross-border renminbi settlement was CNY5.16 trillion, up 61% year-on-year. Under the current account, the proportion of yuan-denominated merchandise trade went from 5.5% in 2011 to 11.7% in 2013. In terms of the capital account, renminbi-denominated direct investment increased by 130% from the end of 2012. In 2013, about CNY500 billion entered overseas markets through trade or investment. It is estimated that the renminbi in overseas market may have exceeded CNY1.5 trillion. According to BOC statistics, dollar activity in the fourth quarter last year increased by 2% from the second quarter. Meanwhile, euro, pound and yen activity decreased. In comparison, renminbi activity increased by 23% during the same period. Another record rise in the currency's profile is expected this year. In a survey among 3,000 global companies in 2013 by BOC, among the overseas companies surveyed, 61% said they would begin using renminbi or increase its proportion for settlement. BOC continues to take the lead in yuan-denominated settlement. In 2013, BOC's cross-border renminbi-denominated settlement exceeded CNY3.98 trillion, rising by 60% year-on-year. Its domestic settlement was CNY1.77 trillion, taking up one-third of the market, much greater than other commercial banks.

- China’s largest home and appliance retailer Suning has won regulatory approval to sell insurance on behalf of insurers to consumers as it diversifies its services. Suning Insurance Co has a registered capital of CNY120 million with Suning Commerce Group owning a 75% stake while its parent company, Suning Appliance Group, holds the remaining 25%. Suning also hopes to work with insurers to offer tailor-made policies for online shoppers on its e-commerce site yigou.com.
- The Australian Securities Exchange (ASX) will partner with the Bank of China (BOC) to offer renminbi or yuan settlement services. The agreement will allow Australian companies to make yuan-denominated deals with Chinese investment or trading companies through ASX’s Austraclear service. Trading or investing directly in the yuan instead of using the U.S. dollar as an intermediary will simplify procedures and cut transaction cost for Australian businesses.
- The increasing use of bankcards has led to a more than tripling of the value of mobile payments in China in 2013 from a year ago. Last year, CNY16.74 billion transactions involving a total of CNY9.64 trillion were handled, the People’s Bank of China (PBOC) said. The value soared 318% from that in 2012. Mobile payment was the fastest growing sector among all electronic payment methods, which also include payments online and by telephone. The value of online payment rose by 28.9% year-on-year to CNY1.06 trillion last year, while payments by telephone fell by nearly 9% to CNY4.74 trillion.
- Yue Xiu, the investment vehicle backed by the Guangzhou government, said it has no plans to privatize Chong Hing Bank and has signaled it may inject more capital into the newly acquired lender. A Hong Kong listing could help Chong Hing expand its capital, said Zhang Zhaoxing, Chairman of both Chong Hing and Yue Xiu. The lender planned to upgrade offices and open more branches on the mainland.
- Beijing should adopt a Western-style interest rate policy mechanism to make capital allocation in the banking system more efficient, said Joseph Yam, former Chief Executive of the Hong Kong Monetary Authority (HKMA) from 1993 to 2011. “It is time that China's central bank adopts a clearer system to manage money supply,” Yam, now Professor at the Chinese University of Hong Kong, said.
- Swiss bank UBS is at the center of embarrassing revelations that it helped to set up a secretive offshore firm – a British Virgin Islands (BVI) company named East Asia Group Trading – for the wife and daughter of a former senior Chinese official who has since been convicted of corruption. Zhang Shuguang, former Deputy Chief Engineer of the disbanded Ministry of Railways (MOR), is awaiting sentencing after pleading guilty in September last year to taking more than CNY47 million in bribes between 2000 and 2011 to help companies win rail contracts.
- Bank of East Asia (BEA) has posted a record net profit for a fourth year – rising 9.2% to HKD6.6 billion – thanks to higher interest income and an improvement in bad loans in the second half of last year. BEA is the largest family-controlled lender in Hong Kong. Mainland loans accounted for more than 40% of its loan book.
- The China Banking Regulatory Commission (CBRC) announced new measures on liquidity risk in commercial banks, targeting a 100% Liquidity Coverage Ratio (LCR) by the end of 2018. The CBRC urged commercial banks to assure 60% LCR by the end of this year, as well as an annual growth of 10 percentage points before 2018.
- The ceiling for insurance firms to invest in property and listed companies has been raised by the China Insurance Regulatory Commission (CIRC). Insurers can now invest as much as 30% of their total assets by the end of the previous year into equities. The CIRC has also raised the ceiling for other financial investments, including wealth-management products (WMPs), asset-backed securities and trust products, to 20%. Overseas investment can now make up a maximum of 10% of total assets.
- Chinese holdings of middle- and long-term U.S. government bonds increased by USD81.1 billion in 2013, the fastest growth in five years. Since 2009, China, the largest foreign U.S. creditor, has increased its middle- and long-term U.S. debt by USD281.9 billion, which has provided a stable financing source for the U.S. government.
- Assets managed by money market funds rose 27.5% in January from a month earlier to CNY953.2 billion in January, data from the Asset Management Association of China showed. This was due to a surge in cash management products for online investors, while equity and bond funds saw a drop in assets held.

- BOC Investment Management Co, the Bank of China's joint-venture fund management company, has launched a mutual fund that invests in the money market. The product can be bought on BOC's online banking platform. Shares in the fund can be redeemed anytime and cash payment will be credited instantly in the customer's bank account. The features are similar to Alipay's small-sum financial product Yu'ebao, which became very popular after it was launched in June last year.
- Britain and China are discussing appointing a yuan clearing bank in London, which would recognize London's role as the Western center of offshore yuan trading. London is now the only offshore yuan center without a local clearing bank. The Bank of China (BOC) and the Industrial and Commercial Bank of China (ICBC) are the top candidates. The trading of foreign exchange products, including deliverables and non-deliverables, nearly doubled to CNY22.3 billion in the first half of 2013 from CNY11.6 billion a year earlier.
- The State-owned Assets Supervision and Administration Commission (SASAC) of the Shanghai Municipal Government will transfer 39 percentage points of its stake in Dazhong Insurance Co to United States-based Starr International Co, giving Starr, which previously held a 20% stake in Dazhong, a majority 59% shareholding. The transaction also will transform Dazhong from a state-owned financial company to a foreign-invested one, the first of its kind in Shanghai.
- The People's Bank of China (PBOC) has clarified regulations for the Shanghai free trade zone (FTZ), including allowing companies registered in the zone to borrow yuan from offshore. The money can be moved onshore but it has to be deposited into a separate bank account in the FTZ. Companies can only use the funds for business operations in the zone or abroad. Shanghai is only the second Chinese city allowing offshore yuan lending, following Qianhai. Yuan-denominated transactions will also be allowed on the Shanghai Gold Exchange.
- A proposed European Union law to make public who owns secretive companies and trusts would help in the fight against corruption in China, analysts say. The European Parliament voted in favor of proposed anti-money-laundering rules that would require the ultimate owners of companies and trusts incorporated in the EU to be listed in public registers in EU countries. If the proposed rules became law, "it would be big news for China", said Rosie Sharpe of Global Witness. "China loses more money to illicit financial flows than any other country."
- Liu Zhi, Vice Chairman of Chang An Property and Liability Insurance, is wanted for fraud involving CNY178 million.

FOREIGN INVESTMENT

FDI rose 16.11% in January

China's foreign direct investment (FDI) surged 16.11% in January compared with a year earlier, with investment from Asian economies and the United States showing the steepest rises. Foreign investors channeled USD10.76 billion into China, extending growth momentum for a 12th consecutive month. The increase was bolstered by investment from the U.S., which jumped 34.9% to USD369 million. ASEAN's investment rose by 22.16% to USD9.54 billion, with South Korea nearly tripling its input. However, investment from the European Union fell 41.25% to USD482 million. Ministry of Commerce Spokesman Shen Danyang said January's double-digit growth confirmed foreign investors' confidence in China's economy and the quality of the nation's investment climate. Foreign investment flowing into China's service sector grew 57.02% year-on-year to USD6.33 billion in January, while the manufacturing sector drew USD3.46 billion, down 21.69% on an annual basis. Capital pouring into central China jumped 89% and that in western China 71%. Meanwhile, China's outbound direct investment (ODI) rose 47.2% to USD7.23 billion last month, higher than last year's average growth of 16.8%. A note by the Australia & New Zealand Banking Group said it would be better to interpret the data in conjunction with next month's release which will combine January and February, to account for seasonal factors such as the Spring Festival holiday.

Speculation when ODI will overtake FDI

Over the years, many predictions have been made regarding when China would achieve parity between its ODI and FDI. In 2011, Zheng Chao, an official at the Ministry of Commerce (MOFCOM), said ODI would exceed FDI within three years, predicting annual growth of 20%

to 30% for ODI. In January, Commerce Ministry Spokesman Shen Danyang said ODI might exceed FDI in the coming year or two. A study from the Economist Intelligence Unit (EIU) predicted ODI would exceed FDI by 2017. Because there was still a USD27.4 billion gap between FDI and ODI last year, expecting the switch to occur this year is probably a little optimistic. Last year, China's ODI expanded 16% year-on-year to USD90.2 billion, while FDI grew by 5.3% to reach USD117.6 billion. The five-year compound annual growth rate for FDI was 4.9%, while that of ODI was 16.6%. Assuming that these growth rates continue in each of the next three years, ODI will exceed FDI in 2016. More than any change in economic conditions, the biggest factor driving ODI and FDI in the coming years will be changes to government policy. Many approvals which were previously needed for ODI will be scrapped. Approvals will only be needed for investment in sensitive sectors and if the amount exceeds USD1 billion. More liberal policies in the China (Shanghai) Pilot Free Trade Zone (FTZ) on the other hand could lead to a large increase in FDI, the China Daily reports.

- More than 400 foreign enterprises have invested in the Shanghai pilot free trade zone (FTZ) even before detailed financial rules and an updated negative list are released. Over 6,000 firms have registered in the zone since it was opened on September 29.
- The State Administration for Industry & Commerce (SAIC) plans to tighten regulations on how direct-sales companies train sales staff and introduce products, as authorities probe allegations of abuses by Nu Skin Enterprises. Tighter restrictions stand to affect the Chinese operations of companies including Amway, Herbalife and Avon Products.

FOREIGN TRADE

Shanghai's trade growth better than average

Shanghai’s trade expanded 16.5% from a year earlier in January, better than the national average of 10.3%, due to the pilot free trade zone (FTZ), the Shanghai Statistics Bureau said. Exports rose 9.8% to USD19.6 billion last month, compared with a 2.5% rise a month earlier. Imports jumped 22.9% to USD22.8 billion, compared with December’s 13.8%. The city’s Consumer Price Index (CPI) rose 3% in January, compared with 2.4% a month earlier.

HEALTH

Patients not to offer gifts to doctors

Doctors and patients in Chinese hospitals will be required to sign a declaration banning the payment of cash-filled “red packets” and other gifts from May 1, according to a National Health and Family Planning Commission's directive. Patients must also sign it and promise not to give gifts. Many patients worry about medical standards if doctors don't receive gifts. Chinese doctors are paid less than CNY10,000 a month, so a red packet containing CNY1,000 or CNY2,000 is a temptation some doctors find hard to resist.

- Health authorities are set to introduce new rules governing the clinical practice of genome sequencing. The State Food and Drug Administration (FDA) said all genome sequencing machines, reagents and medical-use software and appliances must be registered with the FDA, while all clinical practices must be approved by the National Health and Family Planning Commission.
- The process of placing Tibetan medicine on UNESCO's intangible heritage list has started. With roots dating back at least 2,300 years, Tibetan medicine is one of the world's four traditional medicines, the other three being Chinese, Indian and Arab. Tibetan medicine uses herbs, minerals and sometimes insects and animal parts in preparations.

IPR PROTECTION

Jilin's Siping cracks down on counterfeit cosmetics

Industry and commerce enforcement officials in Siping city, Jilin province, with the help of inspectors from Procter & Gamble China, recently cracked down on two local stores selling counterfeited cosmetics and cleaning products. They seized a total of 40 boxes of faked shampoo, face cleansers and makeup infringing a number of brands under P&G, such as Pantene, VS and Rejoice, as well as other famous brands like Proya and Lancome.

- The Music Copyright Society of China recently announced that it had total licensing revenue of CNY112 million last year, 82% of which had been redistributed to copyright owners. The revenue came from many businesses, including the press, broadcasting, hotels, retail sales and the internet.
- Chongqing's online intellectual property rights trading center has successfully finished its one-year trial run. Developed primarily by the Chongqing Academy of Science & Technology, the IP trading portal facilitated 58 patent deals worth a total of more than CNY60 million.

MACRO-ECONOMY

Machinery sector shows steady recovery

China's machinery industry last year showed a slow but steady recovery from a previous plunge in the sector, as the upgrading of products and industrial structure advanced in 2013. The sector's revenues from its main business totaled CNY20.4 trillion last year, up 13.8% year-on-year and growing slightly faster than in 2012. Aggregate profits across the sector rose 15.6% year-on-year to CNY1.41 trillion, over 10 percentage points higher than in 2012. The sector exported products worth USD372.5 billion in 2013, up 6.24% from the previous year, with the trade surplus at USD73.6 billion – the largest on record. China's private machinery enterprises began to focus more on the overseas market as domestic demand dwindled. In 2013, private companies' total profits earned from their main business jumped 15.4% to CNY11.6 trillion, above the cross-sector growth rate. Their output in value accounted for over half of the total industrial output of the sector.

- Work began in Shijiazhuang, Hebei province, on the demolition of another 17 cement factories, two months after the first batch of demolitions to improve air quality. "After the second batch of demolitions is finished in March, we can meet the target of reducing excess capacity three years ahead of schedule, reducing production capacity by 40%," said Wang Liang, Mayor of Shijiazhuang. The two batches of demolitions have targeted 35 plants at major production bases, resulting in direct economic losses of CNY1.1 billion and affecting 3,780 workers.
- Chinese government officials have quietly become more skeptical about foreign banks' research reports and are avoiding senior economists at global banks, partly due to growing mutual distrust over the scale and seriousness of the country's debt problems, the South China Morning Post reports.
- The gap in reported economic output between China's provinces and national statistics narrowed for the first time in six years as less importance is accorded to GDP growth. The combined nominal economic output of the 31 provincial regions expanded about 9.2% in 2013 to CNY62.9 trillion, according to data reported by local governments since December and compiled by Bloomberg News. That exceeded the national figure by CNY6.06 trillion, or 10.7%, after an 11% margin in 2012.
- China is targeting 9.5% growth in industrial output in 2014, slightly below last year's level, the Ministry of Industry and Information Technology (MIIT) said, signaling China may retain its 7.5% gross domestic product (GDP) growth target for this year amid a rebalancing of its economy. China's factory output grew 9.7% last year, compared with a target of 10%, while the country's economy expanded 7.7%, ahead of the official target of 7.5%. Several provinces have announced industrial production targets that exceed last year's actual growth, including Hubei, Jiangxi, Gansu and Shaanxi provinces.
- The Chinese government has approved a plan to reform business registration in an effort to ease market access. Specifically, requirements on minimum registered capital for limited liability companies, one-person limited liability companies and joint-stock companies with limited liability will be scrapped. Registration of business venues will also be simplified and flexible under the reform plan. Annual inspections on registered companies will be replaced by companies' annual reports, which should be available to the public.

- The National Development and Reform Commission (NDRC) confirmed it had launched anti-monopoly investigations into U.S. technology firms Qualcomm and InterDigital. The investigations began in June last year after the regulator received complaints that the U.S. companies charged discriminatory high prices in China. The NDRC accused Qualcomm of abusing its dominant position in the market. If found to be in violation of the rules, Qualcomm could face a fine of up to USD1 billion. The NDRC has also been collecting evidence of possible anti-competitive behavior in the auto parts market.
- Guangzhou, capital of Guangdong province, plans to focus on the development of three pillar industries: auto manufacturing, petrochemical and electronic information. Guangzhou's economy is expected to grow by 10% and its exports will increase only by 3% year-on-year in 2014, according to Chen Jianhua, Mayor of Guangzhou. The combined output value of the three pillar industries in Guangzhou increased by 16.3% year-on-year in 2013.
- HSBC’s Flash China Manufacturing Purchasing Managers' Index (PMI) fell further this month to 48.3 to hit its lowest level in seven months. That marked a further tumble from the final reading of 49.5 last month, when the figure showed contraction for the first time in six months. A reading above 50 indicates growth, while anything below signals contraction.

MERGERS & ACQUISITIONS

Goldleaf buys U.S. oil firm for USD665 million

Goldleaf Jewelry, a Chinese jewelry retailer with gold-mining investments, plans to buy United States oil and gas operator ERG Resources for at least USD665 million. The Beijing-based company said it would pay for the acquisition with a private share placement, raising as much as CNY5.7 billion from no more than 10 investors. Goldleaf will hold a 95% stake in Texas-based ERG after the purchase. Buying closely held ERG would give Goldleaf a foothold in oil assets on the U.S. Gulf Coast and California, adding to USD16 billion of oil and gas deals announced by Chinese companies in the past year. ERG sold 13 oilfields to Australia's Linc Energy in 2011 for USD236 million. Goldleaf, which suspended its shares on January 1, resumed trading in Shenzhen. It surged the daily limit of 10% to CNY13.77 in the morning session. The company generated CNY8.7 billion of sales in 2012 and had CNY1.9 billion of assets at the end of that year.

- China's outbound mergers and acquisitions in the mining sector sank to a low last year in terms of the number of deals and transaction volume, affected by domestic policy shifts and a weak economy, but an upturn is due this year, according to Jeremy South, global mining leader at Deloitte Touche Tohmatsu. According to the China Mining Association, domestic outbound investment in the mining sector fell 51.45% in 2013 to USD5.17 billion. The number of deals fell 25.42% to 132.
- Chinese private-equity firm ClearVue Partners has drawn USD262 million in its maiden fundraiser, with most of the money to be spent on consumer start-ups. The Shanghai-based firm will target early-growth consumer firms in the food and beverage, lifestyle, internet and mobile markets. It will also forge joint ventures with international brands looking to establish their presence in the highly-competitive and fragmented Chinese market.
- Europeans still remain nervous about the Chinese taking over their companies. Davide Cucino, President of the European Union Chamber of Commerce in China, said many European companies would opt to be taken over by another European or U.S. company rather than a Chinese one.

PETROCHEMICALS

PetroChina and Sinopec to limit expansion

PetroChina and China Petroleum & Chemical (Sinopec) are expected to trim spending in the next few years. Contributing factors are flat oil prices, rising debt, slowing growth in demand and excess capacity in oil refining and chemicals. Lower spending on expansion and a change in focus to quality rather than the growth rate may end seven years of declining returns, according to Analyst Neil Beveridge, the principal author of a Sanford Bernstein research report. He said the firms' total capital expenditure may have peaked at CNY520 billion in 2012 and projected it would fall to CNY480 billion this year. While the two oil and gas majors budgeted total spending of CNY537 billion last year, he expected PetroChina to report next month a "significant reduction" in actual spending from the level in 2012 and Sinopec to report flat spending. A Sinopec Spokesman said: "The company will be more focused on quality and efficiency of capital expenditure in 2014, and not regard scale expansion as an objective." Beveridge said the two firms are playing catch-up to Western counterparts in embracing "a new paradigm that big is no longer beautiful", especially given market expectations that oil prices will be flat and a steady rise in operating costs over the next few years. This will push them to become less capital-intensive, less acquisitive, more cost-conscious and more open to disposal of under-performing assets, Beveridge said. PetroChina has delayed three new refineries or expansion projects owing to overcapacity.

- China's record imports of 6.63 million barrels per day (BPD) of crude oil last month cannot fully be explained by restocking before the Lunar New Year holiday. The imports were 5% higher than the previous record, achieved in December, and 17% higher than the 5.66 million BPD crude imports averaged last year. Thomson Reuters Oil Analytics, which assesses crude flows based on vessel movements, expects Chinese oil imports of about 26 million tons this month, which is equivalent to about 6.8 million BPD. Some analysts suspect that strategic stockpiles are being filled.
- Two research institutions at China National Bluestar Co have made great strides in improving China's ability to produce the fertilizer potassium sulfate. A new facility at Lop Nor in the Xinjiang Uygur autonomous region uses technology developed by Bluestar's Changsha Design and Research Institute in Changsha, Hunan province, and Lehigh Design and Research Institute in Lianyungang, Jiangsu province. As the result of more than eight years of research, it will have an annual production capacity of 1.2 million tons of potassium sulfate, almost a quarter of the world's total. China uses almost 2 million tons of potassium sulfate yearly, with the figure growing 12% annually on average.
- China is looking at playing a role in Cyprus' multibillion-dollar plans to develop natural gas reserves, including possible investment in a liquefied natural gas (LNG) export terminal. "There is very strong interest from China in energy, in the whole value chain, upstream, downstream and midstream," Cypriot Energy Minister George Lakkotrypis said. A Chinese delegation, including representatives from China Shipbuilding Industry Corp, discussed the plans in Cyprus.
- China Petroleum and Chemical Corp (Sinopec) opened up to 30% of its oil retail business sector, including more than 30,000 fuel stations, pipelines and storage, to private investors, in what is being regarded as a big step toward state-owned enterprises (SOE) reform, the China Daily reports. Sinopec is the first of the three big State-owned oil companies – the others being PetroChina and China National Offshore Oil Corp (CNOOC) – to introduce private capital into its sales business.
- Debt-laden Titan Petrochemicals says it is in advanced talks with an unidentified Singapore-based manufacturer of oil drilling rigs to use a mothballed shipyard in Fujian province that may be injected by major shareholder Guangdong Zhenrong Energy into Titan. The shipyard would be used to manufacture up to 8 oil rigs annually.

REAL ESTATE

New home supply to triple in Shanghai in March

New home supply in Shanghai will more than triple in March, with 53 new housing projects set to be unveiled. Fifty apartment and three villa projects will be up for sale in the city next month, compared with just 14 projects in February and 18 in January, Soufun.com, the country's largest real estate website, said. "Real estate developers are also inclined to launch the first batch of campaigns for the year around this time to boost sales," Soufun added. The Pudong New Area will unveil 16 projects and Jiading district 12, Soufun said. Projects located beyond the city's Outer Ring Road will account for 76% of new projects with only 4% situated within the Inner Ring Road, Soufun said.

- In the first 16 days of February, 131,300 square meters of new homes were sold in Shanghai, according to Uwin data. Comparatively, an average 237,900 sq m of new houses were sold across the city every week during the past 12 months. The average cost of new homes climbed 4.3% from the previous week to CNY26,317 per sq m amid robust demand for high-end properties.

RETAIL

McDonald's expands franchising options

McDonald's has decided to allow investors with CNY2 million and nine months of training to operate an existing restaurant through franchising. McDonald's first allowed traditional franchising, in which the licensee leases the restaurant from the corporation, in Jiangsu, Fujian, Sichuan and part of Guangdong provinces in 2010. Lu Yina, Public Relations Director for McDonald's in China, said the company is confident it can develop its business with three models – directly-operated restaurants, traditional licensing and developmental licensing, in which a local licensee owns the business, including the real estate, and uses his or her own capital and local knowledge to optimize sales.

- Chinese consumer confidence hit a record high of 111 points in the fourth quarter of last year and ended the year 3 points higher than it started, according to the latest study by market research firm Nielsen. Perception about job prospects also jumped to the highest level since mid-2012 to 75%. Patrick Dodd, Managing Director of Nielsen China, called for efforts to identify new demand by taking advantage of consumers' changing needs and shopping behavior.

SCIENCE & TECHNOLOGY

Gaokao gets accepted by foreign universities

An increasing number of overseas universities are accepting the Chinese university entrance (gaokao) exam's results. Up to 60% of colleges and universities in Australia now accept gaokao results after the University of Sydney led the way in 2012, said Zhang Feng, Marketing Manager for Australia and New Zealand projects at EIC Group, an overseas study consultancy. Students from provinces with a maximum gaokao mark of 750, are required to achieve scores ranging from 600 to 660 (a range of 80% to 88%), to gain entry into the University of New South Wales' undergraduate programs. Li Baoli, Europe Projects Manager for EIC Group, said universities in France, Germany, Italy and Spain are also accepting gaokao students. "The required scores for gaokao in many European universities are much lower than at top domestic universities," she said. Xiong Bingqi, Vice President of the 21st Century Education Research Institute, said the upcoming education reform that removes the English test from gaokao will not have an impact on language skills for domestic students applying for overseas universities. "Besides having to pass language tests for enrollment, such as the IELTS, Chinese students should also improve their language skills for their future life overseas. Therefore, they will still devote themselves to studying foreign languages," he said.

- China wants to work more closely with European nations in training civil aviation engineers. "A top aviation industry needs a pool of top talent, and this must be based on a top training system," said Wu Tongshui, President of the Civil Aviation University of China. Wu made his remarks during the graduation ceremony of 75 Chinese students of the Sino-European Institute of Aviation Engineering in Tianjin, which was established by the Civil Aviation University of China. Founded in 2007, the Institute is the only school on the Chinese mainland that sends aviation engineers to foreign nations on exchange programs.
- A scholarship program for U.S. students studying in China will be extended for another four years. The program, overseen by the Ministry of Education, will sponsor another 10,000 students under the Sino-U.S. high-level consultation mechanism for cultural exchanges. There were 25,156 U.S. students in China last year.
- Jiang Mianheng, the son of former President Jiang Zemin, has been named Dean of ShanghaiTech University, which opened its doors in September. The university was established jointly by the Shanghai municipal government and the Chinese Academy of Sciences (CAS), in which Jiang served as Vice President from 1999 to 2011. ShanghaiTech has opened applications for 200 undergraduate places, and plans to enroll 2,000 undergraduate students and 4,000 graduate students in the short term.

- China's lunar rover Yutu entered its third planned dormancy with the mechanical control issues that might cripple the vehicle still unresolved. Yutu carried out only fixed point observations during its third lunar day, equivalent to about two weeks on earth. Its radar, panorama camera and infrared imaging equipment are functioning normally. Yutu was designed to roam the lunar surface for at least three months to survey the moon's geological structure and surface substances and look for natural resources.

STOCK MARKETS

CSC Nanjing Tanker expected to delist

CSC Nanjing Tanker is poised to become the first central-government-owned company to delist from a Chinese stock market after breaching exchange rules and reporting its fourth consecutive year of losses. Nanjing Tanker is the oil and bulk chemicals marine-freight unit of Sinotrans & CSC. "We'll be delisted according to securities markets rules if the audited annual results show a loss," said Ding Wenjin, a Nanjing Tanker Board Member. The Shanghai-listed company is due to report 2013 earnings in April.

- UBS Securities Co is to hold 95.42% of Shanghai Pumin Futures Brokerage Co after a capital injection of CNY90 million, UBS said in a statement. The acquisition has been approved by the regulator. In 2013, the trading volume of financial futures was CNY141 trillion, accounting for 52.7% of the total futures products. The acquisition will add a financial futures brokerage service to UBS' current portfolio in China.
- Poly Culture Group Corp, a cultural subsidiary of state-owned China Poly Group Corp, is planning to raise up to USD331 million in an initial public offering (IPO) in Hong Kong. Established in 2000, Poly Culture is mainly active in art auctions and management, performance and theater operations, and investments in film and the television industry. Poly Culture generated annual revenues of CNY1.65 billion in 2012, down 6% compared with a year earlier.

TRAVEL

Less tourists visiting Hainan

China's effort to build Hainan into a world-class tourist destination encountered a setback last year. The number of foreign visitors to Hainan, China's most popular island resort, dropped by 7.3% year-on-year to 756,400 in 2013. Lu Zhiyuan, Director of the Provincial Tourism Development Commission, blamed fierce regional competition and airspace restrictions for the decline. In April, Hainan will host the 2014 World Travel and Tourism Council Global Summit, when hundreds of the world's top tourism experts and agencies will attend a conference in Sanya.

- American online car booking service Uber officially revealed its Chinese name and brand at a February 13 launch event in Shanghai. Going by the Chinese name You Bu, the San Francisco company offers a popular app-connected private car and limousine service. Users can choose from a selection of vehicles including Mercedes S-Class, Audi A8 and BMW 7-series models.
- Chinese low-cost carrier Spring Airlines is set to order up to 30 Airbus A320 aircraft worth USD3 billion at list prices, Chairman Wang Zhenghua said at a regional low-cost airlines conference in Singapore. Spring wants to start taking deliveries from 2015. The new aircraft will replace existing planes and add capacity.
- Subway passengers in Beijing will be fined up to CNY500 if they are found eating or drinking in subway carriages, on platforms and in lifts, according to new draft regulations, which if approved will take effect on March 10. Shanghai, Guangzhou, Xian and Shenzhen, all banned eating and drinking on the subway.
- Commercial Aircraft Corp of China (COMAC) and Airbus signed a Memorandum of Understanding on a new industry standard, flying safety and environmental protection. The cooperation also aims to improve take-off, landing and taxiing procedures while emissions will be reduced. Lower noise levels will also benefit people living near airports.

VIP VISITS

Chinese President meets Honorary KMT Chairman

Chinese President Xi Jinping met visiting Kuomintang Honorary Chairman Lien Chan in Beijing. Xi said the mainland respects the social system and lifestyle Taiwan people have chosen, and “we are willing to share the mainland’s development opportunities with Taiwan compatriots,” he added. “Regarding the long-existing political differences across the Taiwan Strait, we are willing to hold consultations with the Taiwan side on an equal basis under the “one-China principle” and make reasonable arrangements.China said it was keen on a meeting between President Xi Jinping and Taiwan President Ma Ying-jeou, but signaled it was in no rush to set a venue or timeframe for what would be a historic get-together. China however rejected a Taiwanese request for the two to meet at an Asia-Pacific Economic Cooperation (Apec) summit in Beijing later this year.

Senegalese President visits China

Senegalese President Macky Sall said his country is seeking more cooperation from China's private sector for job creation and infrastructure development. Sall is the first African leader to be invited to China by President Xi Jinping this year. The Senegalese President remarked that exchanges between China and Francophone countries are much weaker than those with Anglophone countries. “I think this can be explained by the language barrier because the Chinese in diaspora communicate mostly in English,” he added. He said the bilateral relationship with China since the resumption of diplomatic ties in 2005 has been particularly fruitful in the fields of infrastructure, medical care and agriculture. China also agreed to fund construction of a national wrestling arena, after having built or renovated numerous stadiums.

- China and Pakistan have signed agreements to build a new airport at Gwadar and upgrade the Karakorum Highway following a summit in Beijing between Pakistani President Mamnoon Hussain and Chinese President Xi Jinping. The planned economic corridor will incorporate a 2,000-kilometer transport link connecting Kashgar in China to the Pakistani port of Gwadar near the border with Iran. It could also include a railway and oil pipeline.
- For the first time in a decade, a Chinese Foreign Minister visited Baghdad. Wang Yi held talks with Iraqi Prime Minister Nuri al-Maliki and Foreign Minister Hoshyar Zebari, who hailed China as “the biggest trade partner for Iraq, and the biggest investor in the oil and electricity sectors”. Two Chinese companies – PetroChina and CNPC – have substantial investments in Iraqi oil production, which accounts for the lion’s share of Iraq’s government revenue.

ONE-LINE NEWS

- China’s total advertising spending last year grew 6.4% from 4.5% in 2012, with online advertising the fastest-growing sector with a 27.6% rise. Food and beverage, cosmetics and toiletries were among the top contributors by spending while L’Oreal, KFC, Wahaha, MasterKong and JDB Group were among the big spenders. Television stations saw a 9.6% rise in ad income from a year ago as it remained the dominant advertising channel.
- Vice Governor Ji Wenlin of Hainan province has become the latest high-profile official to be investigated on suspicion of corruption. He is the first ministerial-level official to be placed under investigation by the Communist Party of China Central Commission for Discipline Inspection (CCDI) this year. Last year, the Commission probed at least 17 officials at the same level.
- China Three Gorges Corp, the company which operates the world’s biggest hydropower project, has received a warning from the Central Commission for Discipline Inspection (CCDI) over various disciplinary breaches including officials allowing secret project bidding, abusing their power to hire relatives and occupying multiple apartments.
- China now has more than 200 million people over the age of 60, making up nearly 15% of the country's population, according to Civil Affairs Deputy Minister Dou Yupei, who added that the three biggest obstacles the nation faced in implementing services for the elderly were a lack of financial resources, a lack of available land and the

difficulty in recruiting nursing staff.

- Sichuan mining tycoon Liu Han has been accused of running a murderous crime gang. Liu Han, the former Chairman of Sichuan Hanlong, was accused of being the ringleader of 35 suspects charged in Xianning, Hubei, with participating in various criminal activities. Liu ranked 148th on the Forbes's 2012 China Rich List with an estimated fortune of USD855 million. Xinhua said Liu and his gang had amassed nearly USD7 billion through their crimes.
- Protests by thousands of shoemakers broke out in Wenling, Zhejiang province, after an extensive crackdown on workplace safety standards forced the closure of more than 4,500 shoe factories. Local officials ordered extensive safety inspections of factories in Wenling, a city known for its thriving shoe-making industry, after 16 people were killed when a fire broke out at a shoe factory on January 14.

ANNOUNCEMENTS

Deloitte tax alert: New Belgium-China income tax treaty applicable as of 1 January 2014

On 7 October 2009, a new double tax treaty and protocol on double taxation was signed by Belgium and China. It replaces the Belgium-China income tax treaty of 18 April 1985, as amended in 1996. Finally, with the completion of the notification procedure between both countries and as confirmed on the site of the Ministry of Finance, the new tax treaty entered into force on 29 December 2013, restating its previous announcement of 20 December 2013 referring to 4 January 2014. As a result, the new treaty applies to income arising as from 1 January 2014 and for income pertaining to fiscal years beginning as from 1 January 2014. This new treaty is basically on par with the income tax treaties of other important trading partners of China (such as Hong Kong or Singapore) and can be viewed as a confirmation of Belgium's favorable position in the Asia Pacific region. Belgium was the first European country to sign an income tax treaty with Hong Kong (in force since 2004) and concluded a new income tax treaty with Singapore (in force since 2008). The new treaty generally follows the OECD Model Convention and the relevant differences from the 1985 treaty are summarized and briefly discussed in the Deloitte corporate tax alert.

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This newsletter is realized with the support of Flanders Investment & Trade.

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