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AUTOMOTIVE

Volkswagen Group promotes new-energy vehicle strategy in China

Volkswagen China's technical experts explained the auto group's new-energy vehicle strategy last month in Beijing. On display were the Volkswagen XL1 and Volkswagen electric up! as well as the Audi A3 e-tron and Porsche Panamera S E-Hybrid that demonstrate the full portfolio of the Volkswagen Group's new-energy vehicles. “Volkswagen Group is committed to implementing a tailor-made strategy in China and bringing new-energy vehicles to meet local consumer needs in all segments and classes,” said Jochem Heizmann, Management Board Member of Volkswagen and President and CEO of Volkswagen Group China. “The group's overall priority is on the plug-in hybrid as it combines the best of two worlds – pure electric driving in urban areas and long-distance driving with an efficient combustion engine." Volkswagen Group has started the localization of its new-energy vehicle technology and will produce a range of vehicles in China from 2016 when charging infrastructure is expected to be widely available. Over the past decades, it has been Volkswagen's strategy to reduce fuel consumption and CO2 emissions. The group introduced the TSI, TDI, TFSI, Blue Motion, Greenline and hybrid to China. The Volkswagen XL1 is the most efficient diesel plug-in hybrid production car in the world with a fuel consumption of 0.9 L/100 km. The four-seat pure electric up! produces a top power of 60 kW, enabling it to accelerate from zero to 100 km/h in 12.4 seconds and reach a top speed of 130 km/h. The 11.7 kwh/100 km energy consumption of the electric up! is measured in the New European Driving Cycle or NEDC. It can drive up to 160 km on one charge. With the Audi Q5 hybrid quattro, A6 hybrid and A8L hybrid, the brand also offers a broad range of hybrid cars to its customers in China. Audi will also bring its e-tron technology to China in the near future. In electric mode, the A3 e-tron's operating range is up to 50 km, with the TFSI engine adding a further 890 km. Audi will cooperate with local partner FAW on a plugin hybrid project, the China Daily reports.

Fuyao Glass to invest USD420 million in overseas plants

Fujian-based Fuyao Glass Industry Group, China's largest automobile glass manufacturer, will invest USD420 million to set up production bases in the United States and Russia. The company will invest USD200 million to build a safety glass plant in the U.S., and USD220 million to establish a base to supply raw materials for its safety glass plant in the Russian market. "We aim to enter high-end foreign markets by establishing localized production bases to strengthen our cooperation with customers in developed markets, including the U.S. and Russia," Cao Dewang, Founder and Chairman, told China Daily. Cao added that developed countries, including the United Kingdom, Germany and Japan, are the group's target markets and accelerating investment into those markets, where most automakers are located, will get the company closer to its target customers. Fuyao is already the biggest auto glass manufacturer in the world, but it hasn't yet become the main supplier for premium automakers such as Mercedes-Benz, BMW and Bentley Motors. Earlier this year, Fuyao set up an international business department in a move to boost its internationalization process. Last year, sales in overseas markets accounted for 30% of the company's total sales revenue. Fuyao has a share of more than 70% of the domestic market, much higher than its 20% share globally. "Because the potential in the domestic market is becoming limited, we are striving to expand into overseas markets and make it a key business strategy in the future," said Cao. The company, which opened its first office in the U.S. 18 years ago, plans to establish 10 new plants in the country to increase its production capacity abroad. The U.S. is becoming one of the company's most important overseas markets. General Motors Co is Fuyao's biggest customer in the country.

Ford's Mulally doesn't regret conservative approach in China

Ford Motor Chief Executive Alan Mulally said he did not regret adopting a conservative approach to business in China, which has seen the company fall behind in the world's biggest passenger vehicle market. Mulally said the strategy helped Ford weather the global recession. "It was a big decision at the time," he said at a press conference in Hong Kong, referring to a decision to focus on Ford's product line-up and to not focus on any one market. "Now we have a nice geographical balance around the world – the United States is mature but it's a big market, and the emerging markets are growing fast." While Ford has beaten rivals General Motors and Chrysler and become the most profitable of the big three American carmakers, its market share in China is just one-third of GM's, although Ford's share is growing fast. Sales in the first three quarters of this year jumped 51% to 647,849 units, compared with 11% to 2.31 million units for GM in the same period. The company's future expansion is clearly focused on the Asia-Pacific region. About 75% of the two million units of annual capacity that Ford will add globally in the next three years will be in Asia, including China, India and Thailand. By the middle of this decade, Ford will have 2.9 million units of capacity in Asia, of which more than 60% will be in China. The company will start selling its luxury Lincoln car in China next year.

GM reconfirms good relations with partner SAIC

General Motors Co has dismissed speculation that its ties with China's SAIC Motor Corp are fraying. The two carmakers are discussing further collaboration in Indonesia, either for GM to do contract assembly for SAIC or a more full-fledged GM-SAIC joint venture. Recent independent moves by SAIC outside China had been seen by some industry insiders and experts as signaling the two companies might be drifting apart. In 2010, SAIC became a 50-50 partner in GM's operations in India, jointly selling Wuling microvans under the Chevrolet badge. At the time, officials at the U.S. firm described the alliance as an ideal way to break into other emerging markets, pointing to Southeast Asia as a possible second target. Last year, however, SAIC passed on an opportunity to inject more capital into the struggling operation, letting its stake decline to 9%. Moreover, SAIC also announced plans to start making cars in Thailand with local firm CP in a deal that did not involve GM. GM China Chairman Tim Lee said it was merely a consequence of its state-owned partner's growing maturity as an automaker. "The relationship between SAIC and GM has never been better," he added. Lee said GM and SAIC had never discussed cooperating in Thailand but noted the two companies were still in discussions over Indonesia. Lee and GM China President Bob Socia said sales by GM's joint ventures with SAIC and others in China were likely to grow this year by 300,000 to 3 million vehicles. Roughly half of the volume would come from no-frills microvans GM produces with SAIC and another partner. GM plans to launch more new or significantly redesigned models in China next year and also further raise exports of jointly designed and produced cars out of China. To keep up with demand, GM China and SAIC are rushing to open four new plants – two along the country's prosperous east coast and another two in the middle western region of China to add an additional 1 million cars a year to capacity by 2015. Tim Lee, who is also responsible for GM's global manufacturing, recently agreed to give up his broader responsibility as head of GM's international operations to focus on China.

Quality of domestic-made cars improving

Domestic automakers continue to make strides in improving vehicle quality as they narrow the gap with international brands, JD Power & Associates Asia Pacific found in its latest survey of new car owners in China. The study said the performance of domestic brands helped drive the industry-wide average for reported problems to a record low. Now in its 14th year, the study examines problems experienced by new-vehicle owners in the first two to six months of ownership in two categories: design-related problems, and defects and malfunctions. The overall initial quality score is determined by problems reported per 100 vehicles. Overall initial quality of domestic brands improved to a rate of 155 in this year's survey, a significant drop from an average of 212 problems per 100 vehicles in 2012. The quality of international brands also improved, falling to 104 in 2013 from 117 last year. The gap in quality scores between domestic and international brands narrowed to 51 in 2013 from 95 in 2012. Jacob George, Vice President and General Manager of JD Power Asia Pacific, said that if domestic car makers maintained such improvement, they might catch up to their international rivals in terms of initial quality in 2018. The improvement of Chinese brands is driven by a significant reduction in the number of problems related to the engine and transmission, and the heating, ventilation and air conditioning systems, each decreasing by 12 reported problems per 100 vehicles, according to the study. "It is the result of Chinese domestic brands' heavy efforts in 4P – process, people, parts and product design. And they should further focus on these sectors to continue the improvement of initial quality," said George. Lexus and Mercedes-Benz tied for the top rank in the study, averaging 52 reported problems for each 100 cars sold. Subaru ranked third, followed by Volkswagen and BMW. Four domestic brands – Trumpchi, Venucia, Roewe and Luxgen – ranked above the industry average, up from none in the 2012 study. Overall initial quality across the industry averaged 119 this year, the lowest rate since the inception of the study in 2000, the China Daily reports.

Volvo to improve dealers' network

Volvo's dealer network will soon serve more small Chinese cities and the carmaker will strive to help dealers quickly earn back their investment, said Fu Qiang, President and CEO of Volvo China Sales Co. Fu made the remarks as the automaker announced its new sales strategy on October 31 in Beijing. The plan calls for a diverse range of dealers, cost efficiency in operations and an improved dealer image through new approaches to cooperation among the manufacturer, dealers and investors, said Fu. On the same day, a Scandinavian-style "Volvo retail experience" showroom opened in Beijing, following similar showrooms in Shanghai and Fuzhou. Volvo's move to expand its dealer network follows approval of its localization plan by the National Development and Reform Commission (NDRC) in August. According to the plan, Volvo is building manufacturing plants in Daqing in Heilonjiang province and Chengdu in Sichuan province, an engine plant in Zhangjiakou, Hebei province, and an R&D center in Shanghai. Both the Daqing and Zhangjiakou plants will be operated by a joint venture between Volvo Auto Group and Zhejiang Geely Holding Group. The Chengdu plant is affiliated with

Zhejiang Haoqing Car Making Factory, which is wholly-owned by Geely Group. Volvo Group has a 30% share in its joint venture with Geely formed after the Chinese automaker acquired Volvo Car Co in 2010. The Chengdu plant that opened on August 28 is Volvo's first production facility outside Europe. The first locally-made model in Chengdu will be the S60L scheduled to go on sale at the end of this year. The Daqing plant will also start test production at the end of this year, and the Zhangjiakou factory will begin production later this year to provide engines for the two car plants in China. Volvo's sales in the country in the first three quarters surpassed the full-year figure for 2012, a year-on-year increase of 41.3%, Fu said. China is now Volvo's second-largest market, but is likely to become the carmaker's largest, the China Daily reports.

Tesla opens first showroom in Beijing

U.S. electric carmaker Tesla Motors opened its first showroom in China. Located on the East Third Ring Road, the showroom is displaying two Tesla Model S four-door sports cars. “We have seen roaring interest since pre-orders started in late August,” Product Specialist Ma Li said. “The intended buyers can sign a pre-order contract and put down a CNY250,000 deposit to add their names to the waiting list.” It is expected that the planned allotment of 100 cars for the China market will quickly sell out. Still awaiting government approval for the import and sale of Tesla electric cars, Ma told China Daily that potential customers in China may have to wait until next year for the first batch of Model S cars to arrive. “The price tag for the various models may stand between CNY900,000 and CNY1.2 million,” Ma said, adding that if customers are not satisfied, they can get their deposit back. “Tesla has a unique positioning in the automobile market, as a big, green toy for the rich,” said Zhang Junyi, Auto Analyst with Roland Berger Strategy Consultants.

Strong growth in passenger vehicle sales

China's passenger vehicle sales continued robust growth in October because of a low base in the corresponding month last year. Sales reached 1,516,051 passenger cars, sport-utility vehicles (SUVs), multi-purpose vehicles (MPVs) and minivans in October, a surge of 21.6% over last year, according to the China Passenger Car Association (CPCA). However, the October sales figure was 1.1% lower than September's. In the first 10 months, total sales increased 17.4% on an annual basis to 13.7 million vehicles. Japanese auto brands' sales in China together boomed 82% year-on-year in October. Shanghai-based industry research firm IHS Automotive predicted that the passenger vehicle category, including cars, SUVs and MPVs, is expected to grow by 13.5% from a year earlier to around 15.4 million units this year while commercial vehicles are expected to rise just 3% to 5.1 million. The forecast is far higher than the China Association of Automobile Manufacturers' prediction of 7% and the China Passenger Car Association's 5% made at the beginning of the year. “SUVs will continue to show the major thrust within the passenger vehicle segment with double-digit annual growth,” said Namrita Chow, Manager and Senior Analyst with IHS Automotive. General Motors Co, the largest foreign automaker in China by sales, said it and its joint ventures sold 282,446 vehicles in China last month, setting a new October record. Sales were up 12.2% on an annual basis as domestic sales by its joint ventures Shanghai GM and SAIC-GM-Wuling as well as its major brands reached new highs for the month. Shanghai GM sold 132,954 vehicles in China during October, a year-on-year increase of 13%. SAIC-GM-Wuling's domestic sales rose 10.7% to 143,693 units. FAW-GM sold 5,407 vehicles in the domestic market, a jump of 27%. Ford Motor also reported robust sales growth in October, with sales surging 55% year-on-year to 93,969 units last month, while its January-October sales saw an annual growth of 52%.

Daimler acquires 12% in BAIC Motor

Daimler completed the purchase of a 12% stake in its long-time partner BAIC Motor, the first-ever investment in a Chinese automotive company by a non-Chinese enterprise. BAIC Motor will also raise its stake in the production joint venture with Daimler, Beijing Benz Automotive Corp, by 1% to 51%. Daimler will increase its interest in the integrated sales JV, Beijing Mercedes-Benz Sales Service Corp, by 1% to 51%. “This is another historical milestone in a partnership that has already seen great success in the past, with joint production and sales activities ranging from passenger cars to trucks,” said Xu Heyi, Chairman of BAIC Group, which celebrates 10 years of cooperation with Daimler. The deal is set to boost BAIC Motor’s possible initial public offering (IPO) in the future. The move is the first instance of the Chinese government's ban being lifted on foreign companies' controlling more than 50% of a local joint venture in the automotive industry.

Short news

- Electric-bus maker BYD has employed only 40 workers at its Los Angeles plant and been fined USD100,000 for violating the minimum wage law. When the project was launched, hundreds of new “high-paying green-collar jobs” were expected to be created. But three-and-a-half years after its initial promise, the company has employed fewer than 40 workers in Los Angeles, and at least five of them are temporary Chinese workers being paid less than USD8 an hour in yuan, which is below California's minimum wage. BYD is to argue in court that Chinese workers on legal work visas are not subject to state labor laws, including the minimum wage. BYD continues to court transport officials in the U.S. to win contracts for electric buses.
- Dongfeng Motor Group is still weighing the benefits of investing in loss-making PSA Peugeot Citroen. PSA is preparing a €3 billion capital increase, in which Chinese partner Dongfeng and the French government would each contribute €1.5 billion and acquire a 20% to 30% stake. “If we can complement each other’s advantages, if we can achieve synergies, we may go ahead to do it. Otherwise, we would not do it,” Dongfeng’s General Manager Zhu Fushou suggested.
- Statistics from the China Association of Automobile Manufacturers (CAAM) show that in the first nine months, combined vehicle sales by domestic brands increased 12.14% to 5.13 million units, accounting for 39.89% of the overall market, a drop in share of 0.67 percentage points from last year. Surviving the fierce competition, especially after the international automakers entered the lower-end segments, domestic automakers should continue to invest heavily to improve product quality, said analysts.
- Sales of major Japanese carmakers Nissan, Honda and Mazda rose strongly year-on-year in China last month, recovering from the sharp drop in deliveries which were dented by last year’s consumer boycott of Japanese brands. Nissan saw sales soar 128% year-on-year to 114,700 units in China. Honda increased its deliveries 211.6% to 75,150 units, and Mazda sold 17,904 units, up 88% from a year earlier. Toyota had reported an 80% sales increase. Japanese carmakers are hoping the Guangzhou Motor Show from November 21 to 30, will drive sales to meet their annual targets as south China is their strongest market.
- FAW is to build an assembly plant in Algeria with an initial investment of USD61 million to produce 10,000 vehicles per year under an agreement with private Algerian firm Arcofina. Arcofina will own 51% of the plant and FAW 49%, with the aim of reducing the Chinese manufacturer’s share to 40% after three years.
- Beiqi Foton Motor Co, the largest commercial vehicle manufacturer in China by sales, is among truck manufacturers eager to capitalize on the further urbanization of China. During the first eight months, Foton sold 73,900 heavy trucks, up 27% from a year ago. In addition to heavy-duty trucks, Foton is also a major manufacturer of electric buses in China.
- In a bid to ease traffic jams and cut air pollution, Beijing is likely to start charging congestion fees in the downtown area in 2015 at the earliest.
- To speed up the industrialization of new-energy vehicles, China has launched 25 technological innovation projects and will allocate CNY4 billion central funding as a subsidy, Su Bo, Vice Minister of Industry and Information Technology, said during the Green Industry Conference 2013 held in Guangzhou from November 7 to 9. China gives buyers of new-energy vehicles a bigger subsidy than any other country, amounting to about CNY120,000.
- General Motors has decided to move its international headquarters from Shanghai to Singapore in the second quarter of next year, GM said. The Shanghai office with 250 employees will cover operations in China which is GM’s largest overseas market with total sales of around 2.8 million vehicles last year. GM has 12 joint ventures and two wholly-owned firms in China, employing 55,000 people. In 2004, GM had moved its Asia-Pacific regional headquarters from Singapore to Shanghai.
- Volkswagen will recall more than 207,000 sport-utility vehicles (SUVs) sold in China over a possible defect in the lights. The car maker is also to recall 640,390 cars to fix gearbox flaws in the Audi, Tiguan, Golf, Passat and Lavida models, starting on November 25. It said mineral oil used in dual-clutch gearboxes could cause electronics to malfunction and lead to overheating and security problems.
- Toyota has opened its fifth and biggest overseas research and development (R&D)

center in China, covering 2.3 million square meters. The USD689 million Toyota Motor Engineering & Manufacturing (China) Co's scope is to localize hybrid power train solutions for China as well as improving Toyota's traditional internal-combustion engines and continuously-variable transmission. The launch of TMEC also aims to reinforce Toyota's commitment to the market.

- The price of a Shanghai car plate dropped nearly 10% to CNY75,717 in the November auction, down CNY8,006 from last month. The lowest winning bid fell CNY6,800 to CNY75,500. Following the introduction of a ceiling in April, the average price for a Shanghai car plate dropped from a record high of more than CNY90,000 in March to CNY73,492 in September. Though the latest auction had just 8,500 car plates – 500 less than usual and 1,500 down from last month's supply – the number of bidders increased by 32% to 38,220.
- The city of Lanzhou, capital of Gansu province, introduced a two-month traffic restriction in its urban center to curb severe winter pollution. Cars will be banned from roads from 7 am to 8 pm on alternate days up to January 10 depending on whether their number plates end in odd or even numbers.

METALS

Steel industry sees a brighter third quarter

Most domestic steelmakers are seeing an improvement in their third-quarter performance. Fifteen of the 20 listed steel companies that issued third quarter reports made profits, as opposed to last year, when up to 90% of the steel mills posted a loss. Baoshan Iron and Steel Co (Baosteel), the nation's largest listed steelmaker, said its net profit for the first three quarters tumbled by 56.99% year-on-year to CNY4.64 billion, but excluding the proceeds from selling stainless steel and special steel assets during the same period last year, the Shanghai-listed steelmaker said its profit was actually CNY2.28 billion more than a year earlier. "There was no obvious change in the Q3 steel demand/supply relationship, while raw material prices and selling prices rebounded moderately," Baosteel said. The company plans to streamline production, boost cost-efficiency and strengthen marketing to ensure a stable performance. According to a report from China Merchants Securities, Baosteel is undergoing a major transformation, going from being a pure steel producer to becoming an all-round steel service provider. Like Baosteel, Wuhan Iron and Steel Co also posted a profit. It made CNY651 million in the January-September period, up 98.44% over all of 2012. Jiangsu Shagang Co turned a profit of CNY14.9 million, up 251.6% year-on-year, while Angang Steel Co made a CNY765 million profit in the first three quarters, up 124% year-on-year. Analysts said the fourth quarter will be key to steel makers' profitability this year. Domestic steel output is expected to decline modestly in the fourth quarter on softening demand, which will keep steel prices at low levels, the China Iron and Steel Association (CISA) said. After growing for two consecutive months, China's steel price index edged down 1.54 points to 100.57 at the end of September, with the indicator slipping below the neutral 100 mark in October, the China Daily reports.

Central government push to consolidate steel industry

A Chinese government circular is requiring the steel industry to close down 80 million tons of annual production capacity in the five years to 2017. It also ordered local governments to shut more than 40 million tons of capacity by next year, a year ahead of the original plan. A supplementary target of 15 million tons to be phased out has been mandated for 2015. Local officials have been asked to stop approving new projects and "clean up" those that have been built or have begun construction without proper approvals on land use, pollution discharge and compliance with Beijing's industry development plans. Local authorities are supposed to deny those companies bank loans, impose higher water and power prices, and push for mergers and acquisitions to enhance industry concentration and competitiveness. The country had 976 million tons of crude steel production capacity at the end of last year, according to the China Iron and Steel Association (CISA). About 44 million tons of capacity has been planned or is under construction this year. With just 717 million tons of output last year, capacity utilization stood at 73.5%, compared with 78.8% in the global steel industry, of which China accounted for 46.3% of output, World Steel Association figures showed. This implies China's utilization is about 10 percentage points short of the non-Chinese rate of 83.4%. China's 86 largest steel mills posted a total net profit of just CNY1.58 billion last year, down 98.2% from 2011. In the first half of this year, net profit was CNY2.27 billion, of which CNY1.5 billion was gains from a change in accounting policies by extending the estimated life of fixed assets to reduce depreciation expenses, CISA said. The first-half profit represents a net margin of 0.13%, compared with 5.4% for the country's entire manufacturing sector, the South China Morning Post reports.

Short news

- China's largest private steel company, Shagang Group, plans to move away from steel as its primary business in as little as three years. Shagang's steel mill operations are based in Zhangjiagang in Jiangsu province. In the first half of this year, Shagang made a profit of CNY1 billion and employed about 20,000 of the city's 1.3 million residents. Since 2010, the city has invested CNY54.3 billion in emerging industries, which accounts for more than 52% of Zhangjiagang's total industrial investment over that period.
- China is set to retain the title of the world's top bullion producer for the seventh consecutive year as it may produce a record-high 430 tons of gold this year, according to the China Gold Group Corp. Gold output in China may rise 6.7% from 403 tons in 2012. Production during the first eight months has reached 270 tons. Gold consumption in China is expected to exceed 1,000 tons this year, up 20% from 2012. China's net gold imports from Hong Kong in the first nine months of the year totaled about 855 tons. The high import figure, which is well ahead of a supply deficit of at least 570 tons, could be due to purchases by the central bank, analysts said.
- The steel PMI dropped for a second month, falling to 47.5 in October from 49.2 in September, according to the China Federation of Logistics and Purchasing (CFLP). The decline to well below the 50-point level that separates expansion from contraction on a monthly basis was driven by falls in overall production, finished product inventories and new orders, according to a Morgan Stanley research report. There are also indications that steel inventories are rising, with stocks at 13.2 million tons, up 3.1% since the end of August. Steel product exports dropped 4.4% year-on-year in September to 4.92 million tons. Year-to-date exports are still up 14.6%.
- China's production of refined copper may have been inflated by more than 15% this year. Nine Chinese smelters met to seek clarity on supply and demand fundamentals after the National Bureau of Statistics (NBS) reported record refined copper output in October and annualized 2013 production of 6.8 million tons. Executives said the figure had likely been boosted by double-counting, as well as output from smaller plants having been wrongly categorized.
- Li Dongguang, Vice President of the Aluminum Corp of China (Chalco), has resigned amid a probe by authorities, as the government's crackdown on corruption spreads to more major state-owned enterprises (SOEs).

MINERALS

China Shenhua Energy slashes investment budget

China Shenhua Energy, the listed unit of China's largest coal producer, Shenhua Group, has cut its capital investment budget by 19% to CNY54.5 billion after posting a 21.6% year-on-year drop in third-quarter net profit to CNY9.43 billion. For the first nine months, net profit declined 11.5% to CNY34.3 billion. The nine-month decline was driven mainly by an 8.6% fall in the average selling price of self-mined coal. Sales were up 2.9%. The firm cited "changes in the external investment and operating environment" and project approval progress for the revision of its overall budget for capacity expansion. All the cuts are related to its coal-mining and logistics operations, including a 38.4% reduction to CNY10.9 billion in spending on new mining capacity and a 20.4% decline to CNY27.9 billion in spending on logistics – covering expenditure on railways, ports and shipping. On the other hand, expenditure on power generation has been revised up by 10% to CNY14 billion, as the firm unveiled lower profit from coal mining and better profit from power production. Coal production costs rose 2% year-on-year due to higher salaries, maintenance and safety expenses, and land acquisition and mining costs. The fall in profit from the mining operations was partially offset by better profit from the power business, which benefited from a 0.8% nine-month rise in the average power selling price and an 8.1% decrease in coal cost per unit of output. Rival China Coal Energy posted a year-on-year fall of 79% in third-quarter net profit to CNY440.5 million, while profit for the nine-month period dropped 54% to CNY3.18 billion. Yanzhou Coal Mining reported a third-quarter net profit of CNY1.8 billion, compared with a CNY131.8 million loss a year earlier. For the first nine months, it had a net loss of CNY588.6 million, against a profit of CNY4.74 billion previously.

Ministry opposes disclosure of WTO report on rare earth disputes

The Ministry of Commerce (MOFCOM) said China strongly opposes disclosure of an interim World Trade Organization (WTO) report that disfavors the nation's claim in its rare earths disputes with other countries. “The case is under panel examination, which is not open. Before the panel issues a final report, any move to disclose the panel examination is under suspicion of violating WTO rules,” the Ministry told China Daily. The Financial Times reported that the WTO had concluded that restrictions by China on the exports of rare earths are not in line with WTO rules. The case concerns the 17 rare earth metals, as well as tungsten and molybdenum, which are widely used in advanced technologies in the defense, electronics and renewable-energy industries. In March 2012, the United States, the European Union and Japan filed a formal complaint to the WTO challenging China's restrictions on exports of the minerals. In July 2012, the WTO set up a panel to look into the dispute. “China has reiterated its policy of protecting resources and the environment for sustainable development. It has no intention of favoring domestic industry through distorted trade”, MOFCOM said. The final report was expected around the end of the year. Tu Xinquan, Deputy Director of the China Institute for WTO Studies at the University of International Business and Economics, said that China has little hope to win the case, and the government will have to stop rare earths export tariffs. The EU, the U.S. and Mexico won a similar case against China in January 2012 concerning other raw materials. Du Shuaibing, Analyst with the Baichuan Information Co, said China might remove the export quotas on light rare earths but keep them on medium and heavy rare earths, which have smaller production volumes compared with light rare earths.

Russian coal mines seek new outlets in China

Russia's coal industry, reeling from a drop in domestic demand, hopes to increase exports to China, the world's largest consumer and producer of the fuel. “We expect to increase our coal exports to China and to countries in Southeast Asia by improving our port and rail infrastructure,” Ivan Grachyov, Chairman of the State Duma Committee for Energy, told reporters. He said the government expects this year's coal shipments to China to reach 20 million metric tons, compared with about 19 million tons last year. Russia is the world's sixth-largest coal exporter after Indonesia, Australia, Colombia, South Africa and the United States. It is building a new port in its Far Eastern region with an annual handling capacity of 140 million tons. That volume would largely satisfy the demand of the Asian market. Grachyov said that the potential for Russian coal exports to grow is “tremendous” since China burns almost as much coal as the rest of the world combined. Russia, with the world's second-largest recoverable coal reserves – mostly in Eastern Siberia and the Far East – can offer high-quality coal at low prices. China became the world's largest coal importer last year, and its thermal power plants generate 70% of the country's electricity. Experts noted, however, that China’s coal imports might not increase significantly in the coming years, as China's own coal production has grown rapidly in recent years, and electricity demand was slowing. Russia does have some advantages, such as lower transport costs and the ability to use rail lines to move large quantities, the China Daily reports.

China to further open its mining industry

China will further open its mining sector to overseas investors and encourage them to participate in resource exploration and utilization and the development of shale gas, Jiang Daming, Minister for Land and Resources said at the 2013 China Mining Expo in Tianjin. The government will simplify the approval process and management of mining resources, with the aim of improving the convenience and efficiency of investment in the sector, according to Jiang. Many foreign companies have shown an interest in China's mining industry, but they were put off by restrictive policies, said Greg McNab at Baker & Mckenzie, a global law firm. He told China Daily that many Canadian banks and steel companies want to invest in China's mining sector, providing technologies, expertise and capital. At present, about 50 companies are registered members of the Global Mining Association of China, according to Peter Arkell, Association Chairman. He said most of these companies are providing services in the industry, while around five or six are involved in mining exploration and development. China opened its mining sector to foreign investors in 2000, when it announced a policy to allow foreign companies to apply for mining exploration rights in China. Between 2002 and 2008, there was a boom in foreign companies coming to China for mining exploration. At its peak, more than

200 foreign companies were conducting mining operations in China.

Chinese mining companies looking for new global strategy

Weak commodity prices, a shifting investment environment, and problems with governments and workers prompt Chinese mining companies to slow their expansion abroad. China's outbound investment in the mining industry fell 10.9% year-on-year to USD3.14 billion during the first three quarters of 2013, according to the China Mining Association. The number of investments declined 8% to 103 cases. There are many reasons for the declines, said Chang Xingguo, Project Director of the Association's International Minerals and Finance Department. “Chinese companies in the sector are facing challenges, because commodity prices are declining and the overseas investment environment is changing,” he said. “After 20 years of development in the overseas mining sector, the phase of dramatic growth is over.” Now, resources companies will have to base their overseas investments on rational evaluation. They'll also have to place greater emphasis on sustainable development in foreign countries. Another issue facing the mining industry is that overseas projects are often unregulated, a situation that's led to disputes between foreign investors and local communities and governments. Chinese miners had conflicts with local workers and governments in Zambia and Ghana. “The biggest problem with overseas investment is blindness,” said Chang. In some cases, the investment “goes against common sense and it will end in failure”, or it's outside the investing company's area of expertise. One example he cited was that of a Chinese construction company that invested in a copper mine in Afghanistan. “It's irrational and risky for inexperienced, non-mining companies to invest in overseas mining projects,” said Wang Jiahua, CMA Executive Vice President. According to Wang, up to 80% of overseas mining investments have failed. As many countries with abundant mineral resources move to restrict investment by China's state-owned enterprises (SOEs), private-sector Chinese companies are gradually becoming the majority of overseas mining investors. In the first three quarters, private-sector investment in the overseas mining sector reached USD1.92 billion with 73 projects, while investment by China's SOEs stood at USD1.22 billion with 30 projects, the China Daily reports.

Short news

- Inner Mongolia produced 1.08 billion metric tons of raw coal in 2012, and its total proven coal reserves were more than 808 billion tons by the end of 2011, according to statistics from the regional Bureau of Land and Resources. Four of China's five biggest open-pit coal mines are located in Inner Mongolia: Jungar in Ordos, Yimin River in Hulunbuir, Yuanbaoshan in Chifeng, and Horin River in Tongliao. The odd man out is located in Pingshuo in Shanxi province.
- China’s iron ore price will continue to drop in the fourth quarter of this year amid a fall in demand. Demand usually shrinks in the fourth quarter, and the corresponding slack season for steel production may bring a short-term recession in demand for iron ore, according to a report in the Shanghai Securities News. The domestic demand for iron ore rose in the first three quarters.

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Contact:
Flanders-China Chamber of Commerce
Lammerstraat 18, B-9000 Gent
Tel.: +32 9 266 14 60/61 – Fax: +32 9 266 14 41
E-mail: info@flanders-china.be
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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com . Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.