法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 11 FEBRUARY 2013

The Chairman and Board of Directors of the Flanders-China Chamber of Commerce wish the members and newsletter readers a happy and prosperous Year of the Snake!

FCCC ACTIVITIES

Invitation to participate in the Sino-Belgian Survey 2013

How did Belgian companies perform in China in 2012?

To answer this question, the Flanders-China Chamber of Commerce, together with the Benelux Chamber of Commerce and Moore Stephens Verschelden are conducting the Sino-Business Survey 2013.

The survey tries to study the performance of Belgian companies in the right context. When we talk about the growth of our business in China, are we comparing apples to apples, or are we comparing apples to oranges? Equally important, how do we feel about the future of our business in China as we enter the Year of the Snake (2013)?

We keep the survey simple; with just 15 concise questions we aim to be precise and to the point.

Please take a few minutes to fill out this survey. Click here to take the survey.

Save the date: the survey results will be shared in panel discussion events composed of industry leaders in Beijing (March 14), Brussels (April 24) and Shanghai (April 10).

BICCS Lecture: “China's Investment in the EU: A Win-Win Game?” – 28 February 2013, 15:00 h – Brussels

The Brussels Institute of Contemporary China Studies (BICCS) of the Vrije Universiteit Brussel (VUB), with the support of the Flanders-China Chamber of Commerce (FCCC), is organizing a lecture on “China’s Investment in the EU: A Win-Win Game?” at Vrije Universiteit Brussel, Rome Room, Level -1, Karel Van Miert Building, Pleinlaan 5, 1050 Brussels, at 15:00 pm on Thursday, February 28, 2013.

Speaker: Prof. Jiang Shixue, Deputy Director of the Institute of European Studies, Chinese Academy of Social Sciences. Professor Jiang is one of China’s leading experts on the EU. He has researched and published extensively on issues related to the European economy, and its relationship with China. Prof. Jiang will discuss China’s ODI policy and prospects for Chinese investment in the EU.

Programme

15:00 Welcome Prof Gustaaf Geeraerts, Director, BICCS
15:15 Presentation Prof Jiang Shixue, CASS
15:45 Comments Duncan Freeman, BICCS,
16:00 Discussion
17:00 Close

Cost: €30 for FCCC members, €60 for non-members. (Prices are exempted from VAT)

Please fill in the registration form and send it to biccsevt@vub.ac.be.

Conference: Managing China in Transition – Can China's 5th generation leadership get China on a sustainable path? – Friday 15 March 2013, 09.00-11.30, The Conference Board, Brussels

The Flanders-China Chamber of Commerce (FCCC) and The Conference Board are organizing the conference "Managing China in Transition – Can China's 5th generation leadership get China on a sustainable path?". The briefing will take place on Friday 15 March at 09h00 at The Conference Board, Chaussée de la Hulpe 178, 1170 Brussels.

Regardless of how China lands – hard, soft or in-between – the next 24 months will be transitional, for better or for worse. Contingency planning will be the key to sustaining growth, and to finding new growth opportunities, new investments, and new alliances. It will also be the key to mitigating risks across a number of evolving scenarios. Whether by design or unavoidable circumstances, slowing growth coupled with confluence of political and social factors is creating acute pressure for policy adjustment and structural change. How will this dynamic shape the operating environment for multinational corporations?

The presenter, David Hoffman, Vice President and Managing Director of The Conference Board's Beijing-based China Center for Economics and Business, has over 25 years of experience in China, including 20 leading the Technology-InfoComms-Entertainment Advisory practice of PricewaterhouseCoopers in China ("TICE Advisory"), where he served the senior-most executives of technology companies, telecommunications operators, information service providers, and traditional and new media companies. David also provided extensive advice to regulators and service providers on sector development strategy, regulatory policy, regulatory risk management, and compliance.

All executives with substantial China responsibilities are welcome to attend.

The programme is as follows:
09h00-09h30 Registration

09h30-09h40 Introduction by Mr Bert De Graeve,
Chairman, Flanders-China Chamber of Commerce
Chief Executive Officer, Bekaert

09h40-11h30 Presentation and discussion by Mr David Hoffman
Vice President and Managing Director of
The Conference Board's Beijing-based China Center for Economics and Business

Moderated by Ethan Cramer-Flood, China Program Specialist, The Conference Board.

To attend, subscribe online before 8 March 2013. Participation fee for FCCC members: €75, non-members: €95.

The Conference Board has a robust and unique China program that began with project research in the early 90s. The China Center for Economics and Business in Beijing provides essential information and insights on China to help members continually deepen their understanding and improve their business planning and performance in China. The China Council Europe and China Council U.S. leverage China Center knowledge and resources to keep senior-most HQ executives who have corporate responsibility for China well informed on and in front of high priority China developments that are critical to their business.

ACTIVITIES BY FCCC STRUCTURAL PARTNERS

Lecture Café: "Airway diseases in two worlds – from Belgium to China" – 19 February 2013 – Ghent

The second Lecture Café entitled: "Airway diseases in two worlds – from Belgium to China" by Prof. Dr. Claus Bachert and Prof. Dr. Zhang Nan (Faculty of Medicine and Health Sciences, Upper Airways Research Laboratory) will take place on Tuesday 19 February from 12:00 to 14.00 in KANTL (Koningstraat 18, Gent).

A free sandwich meal will be provided. Subscribing is free of costs, but mandatory, via https://webapps.ugent.be/eventManager/events/LectureCafes

Upper airway diseases such as sinusitis have a prevalence of 11% nowadays, and can be differentiated in subgroups according to the individual type of inflammation. Although clinically similar, sinus disease in China does show a completely different inflammation compared to the European counterpart. From this difference, we can learn more about the role of inflammation in this disease. The presentation will cover the clinical and the immunological side of disease, and will give you an insight into management of airway disease today and tomorrow in two different worlds, Belgium and China.

Prof. Dr. Claus Bachert, professor at Ghent University Hospital, clinician and researcher in Rhinology (head of the Upper Airways Research Laboratory), is member of international initiatives on evidence-based medicine in upper airway disease and member of several European FP7 research programmes.

Zhang Nan, professor at Zhongshan People's Hospital in China, was senior ENT surgeon and is now researcher at the Upper Airways Research Laboratory at Ghent University.

The Lecture Cafés are a joint initiative of the UGent China Platform, the India Platform and the International Office of the Faculty of Bioscience Engineering.

OTHER ACTIVITIES

BICCS presents: China and globalization – 14 February 2013 – Brussels

BICCS is organizing a seminar "China and globalization" on Thursday 14 February 2013 at the Karel van Miert building, Lisbon and Rome (Level -1), Pleinlaan 5, 1050 Brussels.

The seminar "China and globalization" starts with a presentation by Wang Yong, Professor at Peking University, about China's evolving views of the global order. He will discuss how the Chinese elite has been approaching both the need to build a competitive national economy and the expectations of the developed world to see enhanced liberalization of the Chinese market. He will also elaborate on how the financial crisis has affected these views and China's assessment of the future of globalization.

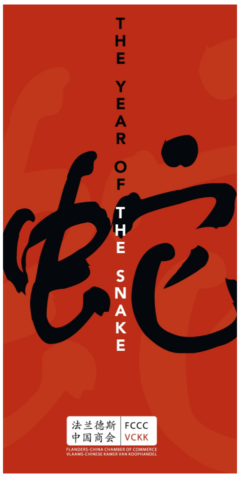
Wang Haifeng, an expert at the Institute of Foreign Economics of the NDRC, will elucidate how China is interpreting the growing threat of protectionism and analyze how it seeks to address this challenge.

Programme:
16h: Dr. Wang Yong
16h30: Dr. Wang Haifeng
17h: Debate, moderated by Jonathan Holslag
18h: The policy view: Zhang Lirong, Chinese Mission

Please register before 10 February. Places are limited.

PAST EVENTS

FCCC New Year Reception – 5 February 2013, – Brussels



The Flanders-China Chamber of Commerce (FCCC) organized a Chinese New Year reception on February 5, 2013 at at the Flemish Parliament in Brussels, with speeches by:

Mr Bert de Graeve, Chairman Flanders-China Chamber of Commerce

His Excellency Mr Liao Liqiang, Ambassador of the People's Republic of China in Belgium

Mr Kris Peeters, Minister President of the Flemish Government, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy

Pictures will be online next week.

Invitation China 2.0: New opportunities for Belgian industry and meeting with the Belgian consuls-general in Shanghai and Guangzhou – 30 January 2013 – Antwerp

Delaware Consulting, De Wolf & Partners and Moore Stephens Verschelden, in collaboration with the Flanders-China Chamber of Commerce (FCCC) and the Benelux Chamber of Commerce in Shanghai (BenCham), organized a presentation and debate on "China 2.0: New opportunities for Belgian industry", followed by a networking reception attended by the consuls-general of Belgium in China at Havenhuis in Antwerp.

The event marked the launch of the BenCham Starter Kit for China, which contains everything you need to know about setting up and growing your business in China. The valuable information in the starter kit was written by experts currently living and working there.

Mr Stefaan Vanhooren, Vice-Chairman of the Flanders-China Chamber of Commerce, welcomed the participants. Following an introduction by Mr Philippe Snel, Chairman BenCham in Shanghai, a panel discussion was held focussed on "Wherever there are challenges, there are opportunities. What is China 2.0 and what does it mean to all of us?" with Andries Verschelden, Partner and leader Global China Desk, Moore Stephens Verschelden China; Cathy Buggenhout, Consul-General of Belgium in Shanghai; Bert Van Genechten, Managing Director, Delaware Consulting China Shanghai-Suzhou; Stefaan Vanhooren, President, Agfa Graphics, Member of the Executive Committee, Agfa-Gevaert Group; and Geert Roelens, CEO Beaulieu. At the reception, there was an exchange of views and networking with the consuls-general.

A radio program with the speakers has been broadcast in Voor de dag on VRT Radio and can be downloaded on the following link:
http://www.radio1.be/programmas/vandaag/belgium-goes-china

MEMBERS' NEWS

Fly with China Hainan Airlines to Asia, with 72-hour transit visa-free stay in Beijing

Effective from January 1, 2013, China Beijing Capital International Airport carried out the 72-hour Transit Visa-free Policy for some foreigners. According to the regulations issued by China's Ministry of Public Security, the foreigners that can benefit from the 72-hour Transit Visa-free Policy should satisfy the following conditions:
1. Citizens from following countries (subject to information issued by the Beijing Municipal Government):
24 countries under European Schengen Agreement: Austria, Belgium, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italia, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland;
7 other European countries: Russia, Britain, Ireland, Cyprus, Bulgaria, Romania, Ukraine;
6 American countries: America, Canada, Brazil, Mexico, Argentina, Chile
2 Oceanic countries: Australia, New Zealand;
6 Asian countries: North Korea, Japan, UAE, Qatar, Singapore and Brunei
2. Have valid international travel document that can identify one's nationality.
3. Meet the conditions of entry to countries or regions at departure;
4. Have interline ticket or ticket with fixed date and confirmed seat to the third country or region via Beijing Capital Airport;
5. The airlines that takes foreigners to China shall report to the immigration counter at Beijing. The foreigners who pass the review on visa-free stay conditions by the station can conduct transit stay procedures as required.
Attention:
1. 72-hour Transit Visa-free Policy is only applicable to Beijing Capital Airport, not applicable to entry at railway station.
2. Valid for transit via Beijing to/from Hong Kong, Macao and Taiwan.
Hainan Airlines, Chinese 5-star airlines, has direct flights from Brussels to Beijing, and connects to 50 cities in China. Hainan Airlines has established a strong network in Asia by interline agreement with other Asian airlines, such as Singapore Airlines, Vietnam Airlines, Korean Air, Asiana Airlines and China Eastern Airlines.

When passenger arrive at Beijing airport, they can connect with Hainan Airlines partner airlines to Tokyo, Osaka, Seoul, Pusan, Bangkok, Hanoi, Ho Chi Minh City, Ulaanbaatar, Singapore and other Asian destinations.

The advantage of flying on Hainan Airlines Brussels-Beijing flights to Asia is quite signifant. Travelers can have a maximum stay of 3 days in Beijing without any visa requirement. At the same time, for those business travelers who have no visa and need a urgent trip to China, they can take the Hainan Airlines Brussels-Beijing flight and return with the Hainan Airlines Beijing-Berlin-Brussels flight, if not staying in Beijing for over 72 hours.

Lotus Bakeries and Goodwell China jointly establish Lotus Bakeries China

Lotus Bakeries and Goodwell China, part of Dah Chong Hong (DCH), announced that they have set up a joint venture. The new company called Lotus Bakeries China will exclusively focus on the further commercialization, growth and development of Lotus Bakeries in China. The joint venture will be based in Shanghai.

Currently Goodwell China already imports Lotus products among others in China, realizing significant growth with Lotus caramelized biscuits (speculoos). Following the establishment of the new company Lotus Bakeries China, Lotus Bakeries and Goodwell China have now firmly opted in favor of a team which will exclusively focus on the further development of Lotus. The management and the Board of Directors of Lotus Bakeries expressed their satisfaction about this important strategic move in China.

The aim is to start selling Lotus products from July 2013 through the new company. The Dutchman Ronald Drieduite, currently Corporate Director EMEA within the Executive Committee, will be appointed as General Manager of Lotus Bakeries China and will move to Shanghai. His team will consist of managers with a Goodwell and Lotus Bakeries background allowing the joint venture to make optimum use of Goodwell's knowledge and expertise of the Chinese market on the one hand and of the specific commercial know-how and product knowledge of Lotus on the other hand. Six members shall be appointed to the Board of Directors of this new company. Each of the partners in the joint venture can appoint three members.

Within Lotus Bakeries' Executive Committee John Van de Par will be appointed as Corporate Director EMEA & ICT. John Van de Par is already a member of the Executive Committee of Lotus Bakeries and previously held the position of Financial Director of Koninklijke Peijnenburg.

FINANCE

Futures exchanges temporarily raise margins

The commodity futures exchanges in China temporarily raised trading margins and daily limits for all contracts to curb volatility around the Lunar New Year holiday. The Shanghai Futures Exchange raised trading margins by 2% from February 7 and the daily trade limit by 1% for all its contracts on February 8. The Shanghai Gold Exchange raised margins for its gold and silver forward contracts by 3 percentage points to 13% and lifted the daily limit to 9% and 11%, respectively. The Zhengzhou Commodity Exchange raised trade margins for all contracts to 9% from the close of February 7, while the daily trade limit was raised to 6% on February 8. All margin requirements will return to normal levels after the week-long holiday. China's exchanges are closed from February 11-15 for the holiday.

- Yuan deposits in Hong Kong are likely to hit more than CNY1 trillion by the end of this year, bolstered by a scheme in which firms in Qianhai can borrow yuan from banks in the city, Hang Seng Bank says. Banks in Hong Kong, however, have yet to fully capitalize on the huge yuan deposits, as only CNY79 billion, or 13% of the deposit pool, was lent out by the end of last year. Local companies and individuals are reluctant to borrow in yuan, as the currency is not commonly used in the city.
- The Asian Development Bank (ADB) plans to give USD500 million in loans to develop China's water sector. The sum includes a USD100 million syndicated loan to China Waters Affairs, a Hong Kong-listed water treatment firm. Besides ADB, 18 banks are involved in the loan, including Hang Seng Bank, Bank of East Asia and Royal Bank of Scotland. The syndicated loan was oversubscribed more than two times, said Guy Wylie, RBS head of Asia-Pacific primary markets. "This is unprecedented in my 20 years of experience and is the most widely syndicated ADB loan in Asia."

- The amount of new yuan loans extended in China in January may have totaled CNY1 trillion amid rising demand for credit from companies as the economy stabilized, according to a Reuters poll. China has set a target of CNY8.5 trillion in new lending this year, a slight increase from CNY8.2 trillion in 2012. The country's big four banks have received a combined quota of CNY3 trillion from the People's Bank of China (PBOC) this year.
- Four asset management companies in China saw total pre-provision operating profits (PPOP) of CNY37.6 billion in 2013, a record figure. In 2012, China Cinda Asset Management Co achieved a PPOP of CNY13.6 billion, ahead of China Huarong Asset Management Co's CNY12 billion. China Great Wall Asset Management Corp and China Orient Asset Management Corp posted PPOPs of CNY6 billion.
- China's central bank injected CNY450 billion into the money markets on February 5, the largest single-day injection on record, showing increased confidence in its ability to use short-term precision tools to manage the money supply. The infusion of cash was made during ordinary open market operations, using 14-day reverse bond repurchase agreements, which will drain money back out of the system in two weeks. The People's Bank of China (PBOC) has increasingly relied on such tools to maintain short-term liquidity and hold down interest rates, instead of making longer term adjustments such as cuts to bank reserve requirement ratios (RRR) that regulators fear could provoke inflation.
- Banks in Taiwan will start allowing customers to open yuan accounts and remit funds to the mainland from February 13, lowering the risk of exchange rate fluctuations and the cost of currency exchange.
- Foreigners in China will no longer enjoy exemptions from a range of investment taxes, under a new tax regime. Included in the plans is a measure to cancel tax exemptions for foreign individuals who obtain dividends and bonuses from foreign-invested enterprises. China offered tax incentives and special treatment to foreign enterprises and individuals to attract overseas investment as it introduced economic liberalization over the past three decades.
- An index measuring the yuan's global use posted another new high of 748 in December, Standard Chartered Bank announced. The Standard Chartered Renminbi Globalization Index rose from November's 728, it said. In 2012, the index rose 50% despite waning global demand, fragile market sentiment and the absence of yuan appreciation expectations. The index is expected to rise at least another 50% in 2013, on prospects of recovering confidence in China's economy, the lender said.
- The People's Bank of China (PBOC) has named Industrial and Commercial Bank of China (ICBC), the world's biggest bank, as the clearing bank for offshore yuan business in Singapore. Singapore issued full banking licenses to ICBC and Bank of China (BOC) in October, moving it closer to getting a yuan clearing bank that will let it compete more aggressively with other global financial centers in the growing market for yuan-denominated trades and financial products.

FOREIGN TRADE

Modest growth in foreign trade expected

Guangdong province, which accounts for a quarter of China's foreign trade, has set a foreign trade growth target of 5% for 2013, despite the province's trade growing 7.7% year-on-year in 2012, surpassing its 7.5% target. Jiangsu lowered its target to 5% this year from 8% in 2012 after its foreign trade rose 1.6% year-on-year. Fujian province has set a target of 5% for this year, while Shandong province expects its foreign trade to grow by 8%. Wei Jianguo, Vice Chairman of the China Center for International Economic Exchanges, said he was concerned that China's foreign trade outlook this year would be more challenging than in 2012. China's foreign trade rose 6.2% year-on-year in 2012, missing its 10% target and contrasting sharply with the 22.5% surge in 2011. Exports grew 7.9% year-on-year in 2012, the slowest pace in more than a decade except 2009. Sluggish demand in the EU will further drive down turnover at the Canton Fair after a 9.3% drop at the autumn event, according to Wei, a former Vice Minister of Commerce.

- The U.S.-China Business Council, which represents about 230 U.S. companies with operations in China, wants both countries to take action on cyber security. The

Chinese government has frequently said it opposes hacking and that China too suffers frequently from hackers.

- China's medical foreign trade grew by a record 10.5% in 2012, a figure that is expected to surge even higher this year, the China Chamber of Commerce for Import & Export of Medicine & Health Products, said. The foreign trade volume of China's medical industry totaled USD80.95 billion in 2012. The Chamber forecast a 12% increase this year. The export volume of China's medical sector amounted to USD47.6 billion in 2012, an increase of 6.9% year-on-year. Last year, Chinese medical companies submitted 201 files to the U.S. Food and Drug Administration, 33.1% more than in 2011. Meanwhile, similar applications to the European Directorate for Quality Medicines reached 173, up 34.1% year-on-year.
- China's textile exports dipped to their second-lowest level in the past two decades in 2012 amid calls for the sector to focus more on the domestic market. Gao Yong, Deputy Director of the China National Textile and Apparel Council, said textile exports grew around 3% last year to an estimated USD260 billion. Gao said the outlook for Chinese textile exports was likely to remain gloomy in 2013. Gao added that domestic consumption of textiles and garments grew 18.2% between January and November 2012, much higher than the overall retail consumption.
- The Ministry of Commerce (MOFCOM) launched an anti-dumping investigation into cellulose pulp imported from the United States, Canada and Brazil, following complaints in December from seven domestic companies. The product involved in the investigation is a bleached wood pulp produced chemically from pulpwood and used in the production of regenerated cellulose.
- China has extended the anti-dumping duty on potato starch from the European Union for another five years. In February 2007, the Ministry of Commerce (MOFCOM) imposed anti-dumping duties ranging from 18% to 35% on EU potato starch, which is used in the food processing, medicine and petrochemical industries. The duty was revised to 12.6% to 56.7% in April 2011.
- China's exports grew 25% from a year earlier to USD187.4 billion in January, partly due to seasonal factors. Imports also surged by 28.8% to USD158.2 billion last month as domestic demand picked up, data from the General Administration of Customs showed. In December exports rose 14.1% and imports 6%. The trade surplus in January was USD29.2 billion, up 7.7%. Last year's Spring Festival began in January, leaving fewer work days, while this year's holiday break falls entirely in February.

MACRO-ECONOMY

S&P: Investment-driven growth poses risks

China's investment-driven growth could put the country at great risk of an economic correction, Standard & Poor's Ratings Services warned, joining other analysts in calling for a timely shift in the country's growth model. "China has the highest investment-to-GDP ratio in the world – a downturn in its investment cycle would not only adversely affect its economy but also those of others, and global commodities prices," S&P said in a report. "What we found is that China has the highest risk of an economic correction, because of low investment productivity over recent years," S&P Credit Analyst Terry Chan said. The rating agency warned that over-investment appeared to precede economic crisis in a country, as seen in the 1997-1998 Asian financial crisis and the 2008-2009 global financial crisis. Veteran China-watcher Stephen Roach urged Beijing to accelerate the transition to a more consumer-led economy. "China's growth model has been stretched as never before," said Roach, a member of the faculty at Yale University and former Chairman of Morgan Stanley Asia.

Two PMI's offer conflicting picture

The official PMI rose slower than expected in January while a similar private survey – the HSBC PMI – showed activities accelerated to a two-year high. The Lunar New Year – which fell in January last year, but this month in 2013 – complicates the picture. The official purchasing managers' index fell to 50.4 in January from 50.6 the month before, the National Bureau of Statistics (NBS) said. Though the reading still held up above the threshold of 50, indicating an expansion, it was below the market consensus of 51. However, the final HSBC PMI was revised up to 52.3 for last month from the preliminary reading of 51.9, as both new orders and output hit the highest levels in two years. The official January data was "a bit disappointing", Bank of America Merrill Lynch economists said. But they said they expected that markets would not turn significantly bearish, as the PMI was quite an inaccurate barometer around the Lunar New Year holiday because of heavy seasonal adjustments. The bank maintained its 8.1% forecast for mainland growth this year but has advised investors to get more cautious around mid-year. Standard Chartered Bank recently raised the country's growth forecast for this year and next to 8.3% and 8.2% respectively, from 7.8% earlier.

China launches income distribution reforms

China unveiled sweeping income distribution reforms to make wealthy state-owned firms, property speculators and the rich pay more to narrow a yawning gap between the urban elites and hundreds of millions of rural poor. The government will work to double the average real income of urban and rural residents by 2020 from the 2010 level and let the poor enjoy faster income growth. The guidelines set a target of reducing the number of people living below the poverty line of CNY2,300 in per capita annual net income at 2010 prices by around 80 million as of 2015. Rural migrant workers will be helped to register as urban residents and benefit from all basic public services in cities. China will also promote fairer employment, raise grassroots civil servants' salaries, cut the tax burden for small firms and demand more listed companies pay dividends to individual investors. The percentage of profits that central SOEs have to hand in to the government will be increased by around 5 percentage points by 2015 from the current level and the added income will go to social security. An inheritance tax will also be considered, the Shanghai Daily reports. "The State Council is not just talking about the gap between rich and poor, they're talking about the whole economy and how income is distributed among various actors – the households, the corporations and the government," said Andrew Batson, Research Director of GK Dragonomics, an economic consultancy in Beijing. "It's about changing the entire flow of income around the national economy."

Most regions set realistic growth targets

Despite a year in which China's overall economic growth eased to its slowest rate in 13 years at 7.8%, 24 regions have set their growth target for 2013 around or higher than 10%, and seven have targeted growth below 10%, one more than in 2012. Beijing set an 8% target, while Shanghai is aiming for 7.5% growth. Guizhou province is aiming for the fastest growth at 14%. Zhang Liqun, Researcher with the Development Research Center of the State Council, said historically growth figures tend to turn out higher than pre-set targets, although he added this year's targets, which largely mirror last year's list, do reflect a realism among provincial-level government economic departments. Last year, Tianjin led the nation's growth table with 13.8% year-on-year GDP growth, followed by Guizhou and Chongqing, both with 13.6% growth. Inner Mongolia's GDP per capita surpassed USD10,000 for the first time, along with Beijing, Shanghai, Tianjin, Jiangsu and Zhejiang. According to Haitong Securities, local government debt is estimated to have grown to CNY13 trillion by the end of 2012, representing 25% of GDP. Analysts have called for quality to be given priority over growth rates.

- Hong Kong has become one of the 15 most expensive cities in the world to live in, according to the Economist Intelligence Unit (EIU). Its survey, conducted every two years, finds Hong Kong ranked 14th among 131 cities worldwide, moving up eight places. The city is ranked 4th in Asia – behind Japan's Tokyo and Osaka, and Singapore. Tokyo also reclaims the title of the world's most expensive city after being overtaken by Zurich in Switzerland last year. Hong Kong's rising property prices were not included in the calculations. Beijing was ranked 54th.
- China's inflation growth slowed to 2% in January after December's seven-month high of 2.5%, the National Bureau of Statistics (NBS) said. Food prices, nearly a third of the Consumer Price Index basket, rose 2.9% from a year earlier in January, down from December's 4.2%. The Producer Price Index, the factory-gate measure of inflation, fell 1.6% year-on-year in January, narrowing from December's drop of 1.9%.
- China's furniture industry saw production drop 2.4% year-on-year in 2012, compared with a 2.6% rise in the previous year, the Ministry of Industry and Information Technology (MIIT) said. Turnover in the industry rose 13.8% year-on-year, compared with a 1.1% decrease the previous year. Profits increased 19.4% year-on-year in 2012, compared with 45.1% growth in the previous year. Exports of wood furniture rose 8.8% year-on-year, compared with 10.2% growth the previous year. Metal furniture saw exports edge up 0.8% year-on-year while plastic furniture saw exports

increase 17% year-on-year, compared with 21.5% growth in the previous year.

MERGERS & ACQUISITIONS

Kingway exits brewery business, sells to China Resources

SABMiller's joint venture in China has agreed to pay HKD6.6 billion for the beer-making assets of Kingway Brewery Holdings. China Resources Snow Breweries, which SABMiller co-owns with China Resources Enterprise, will acquire Kingway's production and sales business, including seven breweries. Kingway will reinvent itself as a developer after selling its distribution network and its seven breweries, by redeveloping its Plant 1 site in Buxin, Shenzhen, the only land holding it is not selling as part of the deal, into a retail and commercial complex. Huang Xiaofeng, Chairman of Kingway, said: "We will terminate our beer business and concentrate on the fast-growing property market." To reflect the change in its corporate strategy and the new focus on property development and investment, the firm proposes to change its name to Guangdong Land. Kingway's Plant 1 in Buxin will be developed into a center for jewelery design, production, exhibition and sale. The demand for office space has already been rising in anticipation of the plan to transform Buxin. The proposed mixed-use project, with a total area of 87,075 square meters, will be developed in three phases. The first phase will be completed in mid-2016 and the last in 2019. Kingway has an annual production capacity of 1.7 million tons, with beer sales of about 934,000 tons and revenue of more than HKD1.7 billion. The seven breweries it is selling are in Chengdu, Foshan, Dongguan, Shantou, Tianjin, Xian and Shenzhen. In the first six months of last year, China Resources' beer division reported a net profit of HKD375 million on a turnover of HKD14.63 billion.

- Investments by venture capital and private equity firms declined in China last month, according to the Zero2IPO Research Center. China's VC/PE industry sealed 31 investment deals in January, down 28% from December. Twenty-five of the deals were worth USD425 million. The energy and mineral industry garnered the most investment of USD137 million, followed by USD93.1 million invested in the internet sector and USD53.8 million for property development.

PETROCHEMICALS

Deep-sea drilling rig repaired after leaks

China's USD1-billion deep-sea drilling rig, the first of its kind designed and built at home, is being repaired after leaks occurred in a pump room while it was being used in the South China Sea, the China National Offshore Oil Corp (CNOOC) said. The rig, "Offshore Oil 981", was being chartered by Canada's Husky Energy, operator of the Liwan project in the western part of the South China Sea. "Minor leaks were found at one water pump room of Offshore Oil 981 during routine checks. The company decided to deal with this issue promptly to ensure safe deep-water operations," CNOOC said in an e-mail. The leaks were found on December 31 and maintenance will finish by the end of February, CNOOC said, adding that preliminary analysis showed the leaks were caused by the release of structural stress in the early days of the rig's operation. The rig, officially launched last May, was dedicated to exploring the South China Sea. Before Husky chartered the rig it had drilled several deepwater wells for CNOOC. The rig was built by China's Waigaoqiao shipyard and has a dual registration, with the China Classification Society (CCS) and the American Bureau of Shipping (ABS). It is owned by CNOOC and operated by China Oilfield Services (COSL).

- China Petrochemical Corp (Sinopec) was in talks to buy more than USD1 billion of assets from Afren, including those in Nigeria. Afren, which also operates in the Kurdistan region of Iraq and other parts of Africa, said in November that it was approached to sell stakes in its assets. Afren had USD1.8 billion of assets in Nigeria at the end of 2011, and generated 92% of its USD597 million in sales there that year.
- Offshore oil-drilling services provider China Oilfield Services (COSL) expects the basic drilling rate it charges its customers to be flat this year, even as its largest customer, CNOOC, is raising spending. But the overall average fee of its services is expected to increase as the company handles more complex and technically challenging operations, such as deep-sea drilling and production of natural gas from coal seams or underground rock formations using unconventional methods. COSL made a net

profit of CNY3.83 billion in the first nine months of last year, 13.5% higher year-on-year.

- China Petrochemical Corp (Sinopec) said sales of its online platform, ejoy365.com, reached CNY40 million at the end of January. Sinopec started the online business in January 2012. The website sells gasoline cards and lubricants to car owners, as well as items such as chocolate and liquor.
- Guizhou Wujiang Hydropower Development Co is to invest CNY12 billion to develop three to five exploration zones for shale gas development within five years. The company is controlled by state-owned China Huadian Corp. Guizhou Wujiang plans to realize an annual output of 600 million cubic meters of shale gas in five years time.
- Gas imports by sea and pipeline will rise 24% in 2013, according to China National Petroleum Corp (CNPC). Crude purchases will climb 7.3% and account for 58% of total consumption, CNPC estimated in its annual research report released on January 30.

REAL ESTATE

Expansion of pilot property tax postponed

The expansion of the pilot property tax program has been deferred, the official China Securities Journal reported, as its implementation required overcoming too many technical problems such as reforms of land and taxation systems. Only property sales in Shanghai and Chongqing currently attract property taxes introduced by their municipal governments in 2011 under the direction of the central government, in a bid to curb the rise in property prices in the cities. Some said the plans were scrapped because the new central government leadership team took a different view on property tax, and Premier-in-waiting Li Keqiang was worried that the introduction of a property tax would hit his urbanization plans. “The government should proceed with expanding property taxes to curb property price growth in order to facilitate urbanization, instead of putting the expansion of the tax on hold,” Alan Chiang, head of residential property on the mainland for property consultancy DTZ said.

Office rents under pressure as vacancies rise

Office vacancy rates in China will continue to rise in 2013, with rents under pressure after skyrocketing over the past few years, international real estate service provider CBRE said. Beijing’s rent growth of Grade A offices is expected to slow to about 5% in 2013, as elevated rent levels have decreased tenants’ affordability dramatically over the last three years, Savills said in a report. Grade A office rents in Beijing increased by 0.9% in the fourth quarter of 2012 to CNY317.8 per square meter per month, with annual growth falling to 13.8% from 44.2% in 2011, the report showed. “A number of landlords began to offer more rental incentives to combat slowing demand and retain existing tenants, given the current sluggish economy,” said Joan Wang, head of research at Savills Beijing. The demand for office space across China continued to decrease in 2012 due to a sluggish economy, with net absorption falling by more than 40% year-on-year, statistics from CBRE showed. Many multinational companies suspended their expansion plans in China in 2012, as well as a number of Chinese companies. The amount of new supply decreased by 30% year-on-year. Against a backdrop of significant decrease in demand, vacancy rates increased to 12.8% in 2012, marking the first rise of 1.1 percentage points year-on-year after three consecutive years of decline.

- The red-hot property market in the first 10 months of last year has resulted in sizzling bonuses at some property agencies. Centaline Property Agency gave its staff bonuses of between five and 50 months' pay, depending on seniority and length of service.
- Gong Ai’ai, the woman dubbed China’s “house sister” because of the number of properties she owned, has been detained on charges of forging official documents, police in Shenmu County, Shaanxi province, said. Gong, until recently deputy head of the Shenmu Rural Commercial Bank, is suspected of misusing her authority to grant loans to mine operators in return for cash or shares which she then used to buy at least 45 properties, 41 of which in Beijing acquired from Soho China. Gong faces up to 10 years in jail if found guilty. Zhang Xin, Chief Executive of Soho China, the largest commercial developer in Beijing, denied money-laundering accusations in the case.
- The China Wealth Index, compiled by the Bank of Communications (BoCom) to gauge

sentiment among 1,910 Chinese households in major cities, rose to 129 in January from 117 in November and 113 in September. A reading above 100 means optimism. People's willingness to buy non-fixed assets rose to a six-month high of 127 in January from 114 two months earlier, and 20% of the respondents wanted to invest more in the stock market, up from 8% in November. The sub-index measuring people's sentiment in buying properties expanded to 111, up from 107 in November and was at the strongest level in two years.

RETAIL

Hong Kong retains most expensive retail rents

Hong Kong still has the most expensive prime retail rents in the world, according to property consultancy CBRE. At USD4,335 per square foot a year in the fourth quarter last year, the average rent for a prime shop was well above second-placed New York, where rents were 46% lower at USD2,970. London came in third at USD1,080 per sq ft. Retailers in Hong Kong are paying HKD2,800 per sq ft per month on average for a prime retail spot. The city's rents were driven to record highs due to the influx of wealthy mainland tourists, the expansion of luxury retailers and a shortage of prime space, CBRE said. It warned that many retailers had become less aggressive with their expansions or entry plans given the high rents. "Local retailers, who are not primarily targeting tourists, cannot afford the increasing rents and in some cases are forced to relocate, which is resulting in less choice in prime districts," Joe Lin, CBRE's Senior Director of Retail in Hong Kong, said. "However, mainland tourist spending was beginning to slow towards the end of last year and rents are not anticipated to rise dramatically in 2013 given their already high levels," he added. Some small restaurants and shops have been forced to shut because of soaring rents. In the office market, real estate broker Colliers International found overall grade A office rents dropped 2.3% in the final quarter, largely due to softening demand for premium office space in Central. But the firm projected that overall grade A office rents would rebound 4% this year because there were signs of increasing leasing activity, the South China Morning Post reports.

Firework sales drop in Beijing

The annual Lunar New Year fireworks barrage in Beijing was notably muted following government appeals to reduce the smoky celebrations after air pollution rose to historic levels over recent weeks. Fireworks on Saturday night started later than usual but still grew to furious intensity at midnight. They also died out earlier than usual on Sunday morning and relatively few explosions were heard during the day. Sales of fireworks from Tuesday to Saturday last week fell 37% over the same period last year, from 410,000 cartons to just 260,000, the official Xinhua News Agency reported. The city authorized 1,337 fireworks stands this year, down from 1,429 last year, and allowed 750,000 cartons of fireworks to go on sale, down from 810,000. Last year's fireworks display created a thick haze that sent 2.5 microgram pollution levels as high as 1,500. Beijing on Saturday night also saw just 25 injuries and 83 fire emergencies related to fireworks, down almost 29% and 45%, respectively, from last year. Beijing permits fireworks displays over a 16-day period surrounding the Lunar New Year, but largely restricts them to suburban areas outside the densely populated city center.

- Louis Vuitton, the world's biggest luxury brand, will pace its growth in China to avoid being seen as "commonplace", said Bernard Arnault, Chief Executive of parent LVMH. Instead of opening new boutiques, Louis Vuitton will expand existing ones, as well as offer customers a more personal relationship.
- China will overtake Germany to become H&M's largest market as the fashion retailer opens stores there at a faster pace than anywhere else, Hennes & Mauritz Chief Executive Karl-Johan Persson said. While Germany remains its biggest single market, with 406 stores, the company opened 52 shops of last year's record 339 new stores in China.
- The Hong Kong Retail Management Association said sales in Hong Kong in January and February could go up by between 12% and 13% in dollar terms.
- Japanese retailer Ito-Yokado will invest CNY200 million in China this year for expansion. "We plan to open new stores in Chengdu and other cities in Southwest China, as well as improve store profitability in our Beijing outlets," said Cheng Ning, Public Relations Director of Ito-Yokado China. The company has eight stores in Beijing

and five outlets in Chengdu, Sichuan province. In 2011, the eight outlets in Beijing saw revenues totaling CNY2.7 billion. The parent company of Ito-Yokado, Seven & I Holdings Co, which also owns 7-Eleven, announced last year that it will be establishing high-end boutique supermarkets in China.

- Sportswear company 361 Degrees International closed 96 retail branches during the fourth quarter of last year, as conditions in the retail sector toughened. It also opened around 12 new stores during the period, while same store sales increased 4.3%. Last month, 361 warned that its profits for 2012 are likely to decrease by around 40% compared to 2011, as high inventory levels and retail discounting pressures had weighed on performance. Nike holds a 10.5% share of the Chinese sportswear market, ahead of Adidas with 7.9%, Li Ning with 7.2% and Anta at 7.1%, according to ResearchinChina.
- Intime Department Store (Group) Co said it will open another six stores this year to turn itself into a national chain. “We will open around six stores this year and, by the end of 2015, our target is to have 60 stores in China,” said Chen Xiaodong, Executive Director and CEO of Intime. Chen said the new stores will be located in second- and third-tier Chinese cities. The Hong Kong-listed company opened its first store in Hangzhou in 1998 and now has 30 stores nationwide.
- Traditional Chinese medicine company Beijing Tongrentang Group said it will open 100 self-operated pharmacies around China and 10 stores overseas this year. The maker of traditional Chinese medicine (TCM) has more than 1,500 self-operated pharmacies in China and more than 70 overseas. Mei Qun, General Manager of the company, said that despite the high costs, in terms of land, labor and registration, of opening new pharmacies, the company has to do it to build a full industrial chain and guarantee the sustainable growth of the brand.
- Yonghui Superstores Co said that it will further expand in China despite a slowdown in the retail industry. The Fujian-based supermarket chain plans to have 350 stores and CNY50 billion in sales revenue in the country by 2014. In the retailer’s latest quarterly report, for the quarter ended September 30, the number of Yonghui stores was at 239, while its net profit grew 40% year-on-year.
- Yum Brands reported a 6% drop in fourth-quarter sales at established restaurants in China due to “adverse publicity” regarding chemical residue found in some of its chicken supplies. Its China business continued to suffer in January, when same-store sales dropped 37%, including a 41% fall for KFC and a 15% decline for Pizza Hut Casual Dining. Yum expects China’s same-store sales to be down 25% for the first quarter, which includes only the months of January and February. Yum has nearly 5,300 restaurants in China, mostly KFC.

STOCK MARKETS

Bank shares up on economic recovery

Chinese bank shares have rallied by nearly 50% over the past two months, driven higher by signs of economic recovery. “The improving macro-outlook is shoring up loan demand and yields, while moderating non-performing loan risk and lowering credit risk,” said Lucy Feng, Analyst at Nomura Securities. Shanghai Pudong Development Bank, China Everbright Bank, China Minsheng Banking Corp, and Industrial Bank said their net earnings would be up between 25% and 36% year-on-year for 2012. “In 2013, just hold on to your bank shares,” China International Capital Corp told clients in a note.

- In January eight qualified foreign institutional investors (QFIIs) gained a USD1.36 billion investment quota from the State Administration of Foreign Exchange (SAFE). By the end of January, SAFE has approved a USD39.99 billion investment quota for 177 foreign institutions, compared with a cumulative investment of USD37.4 billion as of December.

TRAVEL

Some airline fees to be raised

Chinese airlines, which used to pay 40% less in airport charges than foreign carriers, are facing increased fees for international and regional routes. The change will put them on a par with their international rivals, although they will still pay lower fees for domestic routes. Landing and parking fees, and security and luggage charges will be increased. The charges account for 6% of the total revenue of Beijing Capital International Airport, which was likely to be the biggest winner from the change in charges.

- The Jiaxing-Shaoxing Sea-Crossing Bridge, the second bridge in Zhejiang to span the sea, will be the world's longest and widest multi-pylon, cable-stayed bridge when it is put into use in June, Xinhua reports. The 2,680-meter-long bridge is expected to halve the driving time from Shaoxing to Shanghai.
- Tours to China booked through Japan's seven biggest travel agencies fell 80.3% year-on-year for February and 77.2% for March, the Japan Association of Travel Agents said, following the dispute over the Diaoyu islands.

ONE-LINE NEWS

- Chinese radio and television stations are to ban advertisements for expensive gifts such as watches, rare stamps and gold coins, as part of a push by the government to crack down on extravagance and waste.
- China reported two human cases of bird flu in Guiyang, with both patients in a critical condition. A 21-year-old woman and 31-year-old man tested positive for the H5N1 bird flu virus after developing symptoms on February 2 and February 3 respectively. People who had close contact with the two patients are under medical observation but none have been found ill so far.
- Zhuang Zedong (73), a key figure in 1971's groundbreaking “ping-pong diplomacy” between China and the U.S., has died after a long struggle with cancer. His gift of a painting of the Huangshang mountains to American player Glen Cowan in 1971 led to a tour of China by American ping-pong players later that year, and preceded the historic visit of then President Richard Nixon in 1972.
- Shanghai's cancer rate remains higher than the national average, with nearly 50,000 new cases and 30,000 deaths every year. According to the Shanghai Center for Disease Control and Prevention, the city's rate is more than 350 out of every 100,000 people, while the national rate is 285.91.

ANNOUNCEMENTS

2013 China (Guangrao) International Rubber Tire & Auto Accessory Exhibition – May 15 to May 17, 2013

The 4th China (Guangrao) International Rubber Tire & Auto Accessory Exhibition is planned to be held in Dongying, Shandong province, from May 15 to May 17, 2013. Guangrao County, located in the south of the Yellow River Delta in Shandong province, is the export base of China rubber tire and auto accessories. There are more than 60 tire production enterprises, of which 4 enterprises stand in top 35 of the world. Various tires, such as all-steel tires, semi-steel tires, OTR tires and giant tires, whose annual production reaches 150 million, are produced. The output of radial tires accounts for more than a quarter of Chin's total. The tire gross export value of the whole county in 2012 was USD2.927 billion.

The exhibition acreage is about 40 thousand square meters, and there are over 20 cooperation media. Exhibits contain various tires, raw and auxiliary production materials, tire manufacturing technology, mechanical equipment, wheel products, raw material and manufacturing equipment, tire refurbishing equipment and materials, auto accessory and so on. For more detailed information concerning the exhibition and to register, please find the official English-language website at http://www.chinagr.gov.cn/indexen.aspx

JLJ Group: China to Promote Mergers in Certain Sectors

As a result of several highly fragmented and inefficient industries in China, the Chinese government has recently issued guidelines to increase the number of mergers in nine key sectors including automobile, steel, cement, shipbuilding, electrolytic aluminum, rare earth metals, electronic information, pharmaceutical, and agricultural sectors. The Ministry of Industry and Information Technology (MIIT) Chief Engineer Zhu Hongren, said economies of scale play an important role in these sectors, but scattered and outdated production capacity has led to redundant projects and an overcapacity problem. As stated by the guidelines, the government is looking to incorporate production capacity in these sectors and upgrade industrial structures in order to increase enterprises' international competitiveness in the coming years through consolidation.

In particular, the Chinese government wants to give focus to the auto sector. They will foster three to five large automakers with core competitiveness, and increase the concentration ratio of the top ten auto makers in China to 90% by 2015. Concentration ratio measures the degree of market dominance in a sector by a limited number of large enterprises. China will fully support the development of homegrown car brands and will encourage cross-border mergers overseas. In addition, the government will give focus on cutting the large number of steel and rare earth metal producing enterprises and phase out outdated capacity through mergers. The concentration ratio target of top ten steel producers has been set to around 60% by 2015, and a high ratio for rare earth metal producers will be set as well. The country aims to also increase concentration ratios of leading enterprises in the other 6 sectors by 2015. According to Zhu, China welcomes foreign capital to hold stakes in the related enterprises or take part in the consolidation through M&A activity as per China's foreign investment laws.

ADVERTISEMENTS

Hainan Airlines, your direct link from Belgium to China

海南航空
HAINAN AIRLINES
5 STAR AIRLINE
SKYTRAX
全球SKYTRAX五星航空公司
WORLD 5-STAR AIRLINE

FOUNDING MEMBERS

STRUCTURAL PARTNERS

Your banner at the FCCC website or newsletter
Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members FCCC
President: Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Vice-President: Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
Secretary and Treasurer: Mr. Dirk Mampaey, Senior General Manager Corporate Services, NV KBC Bank SA
Executive Director: Ms. Gwenn Sonck
Members of the Board of Directors and Founding Members:
Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Mr. Jozef De Mey, Chairman of the Board, NV AGEAS SA
Mrs. Elisabeth Schraepen, Public Affairs Manager, Belgium and Luxembourg, NV AB INBEV SA
Mr. JP Tanghe, Senior Vice President, NV BARCO SA
Mr. Kris Verheye, Vice President Corporate Division, NV BELGACOM SA
Mr. Johan Verstraete, Vice-President Marketing, Sales & Services Weaving Solutions, NV PICANOL SA
Mr. Luc Maton, General Manager Asia Region, NV AHLERS SA
Mr. Marc Stordiau, Member of the Board of Directors, NV DEME SA
Mr. Stephan Csoma, Senior Vice-President Government Affairs, NV UMICORE SA
Mr. Dirk Mampaey, Senior General Manager Corporate Services, NV KBC Bank SA

Membership rates for 2013:
- Large enterprises: €975
- SMEs: €385

Contact:
Flanders-China Chamber of Commerce
Voldersstraat 5, B-9000 Gent
Tel.: +32 9 264 84 86/82 – Fax: +32 9 264 69 93
E-mail: info@flanders-china.be
Website: www.flanders-china.be

Share your story:
To send your input for publication in a future newsletter mail to: info@flanders-china.be

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

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.