

法蘭德斯
中國商會

FCCC
VCKK

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

NEWSLETTER | 17 JUNE 2013

FCCC activities [FCCC Meeting reception in honour of the future Ambassador of Belgium in China, Mr Michel Malherbe – 19 June 2013, 18h00 – KBC, Brussels](#)

[Group Business Trip West-China \(FIT\) – 9-13 September 2013 – Chongqing and Chengdu; and FCCC Breakfast Seminar – 11 September 2013 – Chongqing](#)

Activities supported by FCCC

[Mission for growth to China – 18-20 July 2013](#)

Past events

[China Information Session: “Assignments from China to Belgium and vice versa: Update on immigration and personal tax aspects” – 29 May 2013 – Brussels](#)

Publications

[FCCC publishes “FCCC Members' Portraits in China Vol.2”](#)



Expat corner

[International SOS opens Chengdu office](#)

Finance

[Financial institutions attract foreign investment](#)

Foreign investment

[Kraft expands plant in Suzhou](#)

[3M to build new plant in Hefei](#)

Foreign trade

[EU to lodge case against Chinese steel tube duties](#)

[Fake invoicing inflated foreign trade figures](#)

Health

[Number of cancer cases rising](#)

[Toxic copper sulphate used to preserve eggs](#)

Macro-economy

[May inflation drops more than expected](#)

[Analysts say China needs to better utilize funds](#)

[World Bank cuts China's growth forecast](#)

Mergers & acquisitions

[Resources companies' merger uncertain](#)

Petrochemicals

[China to become more dependent on Middle Eastern oil](#)

Real estate

[Sales of pre-owned houses on the rise in Shanghai](#)

Retail

[Value Retail to open first shopping complex outside Europe](#)

Science & technology

[Shenzhou-10 meets up with Tiangong-1 space module](#)

[Submersible Jiaolong starts 103-day mission](#)

<u>Stock markets</u>	Shanghai stocks drop to six-month low
<u>Travel</u>	Hilton to open more Waldorf Astoria and Conrad hotels
<u>VIP visits</u>	Xi Jinping meets representative of Taiwan's Ma Ying-jeou
<u>One-line news</u>	
<u>Quotes of the week</u>	Li Keqiang
<u>Advertisements</u>	Hainan Airlines, your direct link from Belgium to China

FCCC ACTIVITIES

FCCC Meeting reception in honour of the future Ambassador of Belgium in China, Mr Michel Malherbe – 19 June 2013, 18h00 – KBC, Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Ambassador of Belgium in the People's Republic of China, Mr Michel Malherbe. The meeting will take place on Wednesday 19 June 2013, at 18h00 at KBC, Grote Markt 17, 1000 Brussels.

This event will give you an excellent opportunity to meet the new Ambassador of Belgium in China and to talk to him about your company's activities in China. Should you wish to participate, please register online by 14 June 2013 at the latest.

Participation fee for FCCC members: €45, Non-members: €75. Registration on the FCCC website: www.flanders-china.be via [this link](#).

Group Business Trip West-China (FIT) – 9-13 September 2013 – Chongqing and Chengdu; and FCCC Breakfast Seminar – 11 September 2013 – Chongqing

Flanders Investment and Trade (FIT) is organizing a group business trip to West-China, an enormous market. Minister-President Kris Peeters is leading the trip from 9 till 13 September 2013 to Chongqing and Chengdu.

On September 11, the Flanders-China Chamber of Commerce will organize a breakfast seminar in Chongqing.

Following the East, West China is now also starting to develop economically. Chongqing is under the direct authority of Beijing and is China's most populous (30 million inhabitants) and biggest (82,000 sq km, 2.5x Belgium) city. Chengdu (14 million inhabitants) is the capital of Sichuan province and as Chongqing an important economic center in West-China.

Opportunities for Flemish companies: Thanks to the economic development of West-China, there are several nice opportunities for Flemish companies. Important industries in the area are: foodstuffs, automotive, textiles, machinery, electronics, steel, pharmaceuticals, IT and the services sector.

FIT will organize an individual tailor-made meeting program (B2B), high-level business contacts, and official networking receptions.

Full trip: €800, per city: €400. Registration before June 14 on the FIT website.

<http://www.flandersinvestmentandtrade.be/acties/2013/09/09/Groepszakenreis-Multisectoraal-China?opendocument>

ACTIVITIES SUPPORTED BY FCCC

Mission for growth to China – 18-20 July 2013

This joint mission of Vice-President Tajani and Commissioner Potocnik of the European Commission to China is centered on the theme of "green growth". It has three main objectives: (1) to promote sustainable and inclusive growth on both sides (2) to help our companies and in particular SMEs to operate in China; (3) to promote EU-China business contacts and opportunities.

Preliminary Programme

Thursday 18 July - Beijing

- Political meetings (time tbc)
- A.M. - Dedicated meeting for companies on “doing business in China” organized by the SME Center, the IPR/SME Helpdesk and Enterprise Europe Network to be jointly opened by VP Tajani and Commissioner Potocnik.
- Roundtable on Green business opportunities in China. Contacts between participating companies to the M4G and EU 'green' companies already present on the Chinese market (exchange of experience, main lessons learned ...); discussions with Chinese high-level business or public actors on the potential of green economy in China.
- Evening - Reception at the EU Delegation with EU Member States ambassadors and the business delegation on 18/7 in the evening

Friday 19 July – Beijing and departure to Guiyang

- A.M. Matchmaking event organized with the help of EEN Network (local Chinese EEN contact points supported by their experienced European mentors from BE, DK, NL...) with important participation of Chinese companies (including SMEs). VP Tajani could pop up for a brief speech.
- Continuation of political meetings
- P.M. – Departure to Guiyang
- Evening - Welcome banquet by authorities

Saturday 20 July – Guiyang

- A.M. Participation to the "Eco-forum Global", a yearly prestigious meeting on the theme of the “Green economy” which is putting emphasis this year on green industry, green urbanization and green consumption.
- Multiple forums will take place in which Business representatives participating in the mission for growth may join in as speakers. A business roundtable and business contacts will be organised in the margins of the forum.
- P.M. Vice-President Tajani flies back on 20 July, but the “Eco-forum Global” continues on Sunday 21 July. Possibility for further speaking opportunities /business contacts for companies attending.

The deadline for registration is June 14, 2013. More information on the mission is available at the Flanders-China Chamber of Commerce: info@flanders-china.be

PAST EVENTS

China Information Session: “Assignments from China to Belgium and vice versa: Update on immigration and personal tax aspects” – 29 May 2013 – Brussels

International mobility and flexibility have become key factors in today's business climate. Immigration procedures remain very strict and compliance with local immigration and social law is controlled and severely sanctioned in case of non-compliance. The Flanders-China Chamber of Commerce, in cooperation with Deloitte organized an information session on aspects of immigration and social legislation which focused on the posting of Chinese nationals to Belgium and vice versa.

The seminar was held at KBC BANK and presented by Matthias Lommers, Senior Manager, Erwin Vandervelde, Partner (immigration aspects) and Boris Deraeve, Tax Director (tax aspects). The aim of the event was to provide sound knowledge and understanding of the issues, to enable companies to meet various requirements on a timely basis and avoid losing precious time or wasting resources. The information session was followed by a networking cocktail.

PUBLICATIONS

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



The Flanders-China Chamber of Commerce (FCCC) has published the second volume of “FCCC Members' Portraits in China”. The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced to become successful in the largest and most challenging market on earth. They offer valuable insights and lessons about how to do business in China. Each manager interviewed makes a list of “do’s and don’ts” based on their own hard-won experience. “All of them, without a single exception, enjoy their work and stay in China, despite less pleasant phenomena such as the worsening air pollution,” says FCCC Chairman Bert De Graeve in his introduction.

Some of the companies presented in “FCCC Members' Portraits in China” are well known, such as Volvo Car, which is now part of Geely Holdings. But the story of how the company is building two car plants in China has never been told as extensively before. Other companies, such as Huiyin Group, which is active in the solar power industry, and Klako Group, which is guiding its clients to become successful in China, are not so famous, but have an equally fascinating story to tell.

Trying to write a book “Doing Business in China for Dummies” is futile, one of the managers told the Flanders-China Chamber of Commerce. More fundamental than that is an

underlying attitude. Respect the Chinese you come into contact with and be interested in their culture. Remember, he added, that you are and will always remain a guest in their country. Above and beyond the usual tips and tricks, the managers telling their story in this booklet show the right attitude to become successful in China.

“The growth of the Chinese economy is slowing down a bit,” says Chairman Bert De Graeve in the introduction, “but at 7.8% last year, it is still growing strong to offer a myriad of opportunities.” For those companies which have not yet taken the step to open a representative office, set up a subsidiary or form a joint venture, it is probably not too late yet to enter the Chinese market. “Do your homework” is one of the most frequently tendered pieces of advice for companies contemplating their first steps on the China market. One might as well start with “FCCC Members’ Portraits in China, Volume 2”.

FCCC members can receive one copy free of charge.

List of interviews (companies in alphabetical order):

ACEA (Dominik Declercq), De Wolf & Partners (Philippe Snel), Eurbridge (Jan Van der Borgh), Huiyin Group (Juha Ven), Jones Day (Sébastien Evrard), Klako Group (Kristina Koehler), LMS (Luc Pluym), Moore Stephens (Andries Verschelden), Neuhaus (Frédéric Linkens), Orientas (Dirk Laeremans), procurAsia (Etienne Charlier), Proviron (Vanessa Doms), Soudal (Eddy Vloeberghen), Urban Stream (Sébastien Goethals), Volvo Car (Koen Sonck and Benoit Demeunynck), White Pavilion (Raf Vermeire), and Wyatt & Wang (Jacques Borremans).

EXPAT CORNER

International SOS opens Chengdu office

International SOS opened its new office on June 6 in Chengdu to further expand its business into China’s western region. As a company helping organizations to look after the health and security of their international travelers and expatriates, International SOS has about 17 years of experience in China with five international-standard medical clinics and two 24-hour assistance centers. Although currently Chinese clients account for only about 5% of the total at International SOS, the ratio is growing rapidly. It is expected that the number of Chinese clients will more than double in the next five years. International SOS is the medical services partner for more than 100 Chinese companies and government agencies, a portfolio it has built up since 2006.

FINANCE

Financial institutions attract foreign investment

China’s financial institutions attracted USD1.67 billion in foreign equity investments in the first three months, up from USD620 million in the same period a year ago. Meanwhile, Chinese banking, securities and insurance companies made a total of USD2.41 billion in net outbound equity investments in the first quarter, a jump of 55% annually, the State Administration of Foreign Exchange (SAFE) said. Last year Chinese financial institutions attracted USD81.2 billion in foreign equity investments, and invested USD77.8 billion in outbound equities.

- The European branch of Dagong Global Credit Rating Co, China’s domestic rating agency, officially started conducting business in Europe after gaining authorization from the European Securities and Markets Authority. Established in April 2012 in Milan, Dagong Europe Credit Rating is the first Asian rating company operating in the European Union. The European branch is a joint venture between Beijing-based Dagong and Milan-based Mandarin Capital Partners.
- Foreign-funded insurance companies will be allowed to use renminbi as registered capital to operate in China, according to revised regulations. The amended “Regulation on the Administration of Foreign-funded Insurance Companies” suggests the minimum registered capital of equity joint venture insurance companies and wholly foreign-owned insurance companies will be CNY200 million or the equivalent in freely convertible currency. It no longer requires the minimum registered capital to be fully paid-up.
- The collapsed Hong Kong Mercantile Exchange (HKMEx) is sinking deeper into crisis

with the threat of eviction from its premises for failing to pay some HKD7 million in rent. Hong Kong Cyberport Management sued the cash-strapped HKMEx, founded by former Executive Councillor Barry Cheung, for rent, management fees and other charges owed since March. The HKMEx has a lease on 10 units in Cyberport which it used for its offices.

- Three national policies to reduce taxes for high-tech firms are being extended to Shanghai's Zhangjiang High-Tech Park, including two pre-tax deductions that will cut research and development (R&D) expenses and those of personnel training, as well as a payment extension for personal income tax.
- The Ministry of Finance failed to sell all the debt it offered at auction for the first time in 23 months because of a cash squeeze. It sold CNY9.53 billion of 273-day bills, well below the CNY15 billion target. The Agricultural Development Bank of China raised CNY11.51 billion in a sale of six-month bills earlier this month, also less than its CNY20 billion goal.
- The average daily turnover of yuan interbank settlements handled by Hong Kong's yuan clearing platform surpassed settlements in Hong Kong dollars last month, Norman Chan, Chief Executive of the Hong Kong Monetary Authority (HKMA), said. The turnover of yuan interbank payments reached CNY390 billion. Chan added it was an indication of a significant increase in offshore yuan commercial and trade activities conducted in the city. The real-time system was upgraded from the Renminbi Settlement System in June 2007 with the Bank of China (Hong Kong) as its clearing bank.

FOREIGN INVESTMENT

Kraft expands plant in Suzhou

Kraft Foods China has started the construction of a CNY545 million plant in Suzhou to more than double production capacity by August 2014. It brings the total investment of Kraft Foods in Suzhou to CNY1.14 billion. "We will continue to boost marketing and innovation efforts for our key brands and to further expand our sales channel coverage in China," Shawn Warren, President of Kraft Foods China, said in a statement. China has become the fastest growing market in Kraft's global business and the company has been stepping up efforts to add local flavors to cater to Chinese consumers. The company produces Oreo and Chips Ahoy biscuits as well as Cadbury chocolate and Halls cough drops. China's snack-food market is valued at over CNY75 billion last year, said market research firm Euromonitor.

3M to build new plant in Hefei

3M Hefei plans to become a super manufacturing hub for 3M, capable of producing a variety of products. 3M currently relies on around 10 single-product sites across the country. The new plant is being built at a cost of CNY1 billion in the Hefei State Hi-tech Industry Development Zone and will become the U.S. company's biggest site in China, with production expected to be CNY2 billion worth of industry and transportation-related products. Jos Vets, Vice President of supply chain operations in China, said that with 11 manufacturing bases, 12 subsidiaries, 27 offices, one R&D center and four technical centers, 3M China has become the U.S. company's largest operation overseas, providing almost 10% of its global income. "3M Hefei is its first project in China to move away from the eastern coastal cities. The company is not in west China yet – but we are starting to go inland," Vets said. "As a material supplier, we need to get closer to our customers. When more of our customers move towards the west, 3M China will set up more facilities in the west. That's our strategic plan," he added.

- The China-Africa Business Council (CABC) and the China-Africa Development Fund have decided to set up two new funds this year to boost China's investment in Africa. One fund is for commercial ventures, and the other for mining activities. Zheng Yewen, Chairman of CABC, which represents the interests of more than 550 Chinese companies in Africa, said each fund will raise USD1 billion in its initial phase from member companies and the CADFund, China's largest private equity fund focusing on African investments.
- Vallourec, a tubes producer for the energy industry, has begun operation of a new plant in Guangzhou with an investment of up to €55 million and a designed annual

capacity of 2,000 km of tubes for steam generators for the Chinese nuclear power industry. Its sales in China currently represent 3% of its global total, which reached €5.3 billion last year. The company supplies about 80% of China's nuclear power plants.

- GlaxoSmithKline (GSK) says that after a four-month investigation after receiving anonymous complaints it has found "no evidence of corruption or bribery in our China business." The complaint alleged that GlaxoSmithKline staff in China provided doctors with speaking fees, cash payments, lavish dinners and travel in return for prescribing its products.
- Zhuhai's special economic zone, Hengqin, which has already attracted CNY226 billion of investment in its first three years, is looking for more Hong Kong investors. The profit tax rate for companies in the zone is 15% instead of the normal 25%. Since 2009, 2,911 companies had registered to set up business there. A key construction project in the special zone, the CNY6 billion University of Macao campus, had been completed.
- China and the European Union may launch negotiations on a bilateral investment treaty, despite their ongoing dispute over solar panels. Zhang Haiyan, Professor of EU-China investment and trade at the Antwerp Management School said: "Both Brussels and Beijing have already signaled their eagerness in kick-starting such an investment negotiation but it is not easy to forecast how soon it will be concluded." He added that the negotiations wouldn't be easy.

FOREIGN TRADE

EU to lodge case against Chinese steel tube duties

The European Union lodged a case with the World Trade Organization (WTO) against Chinese duties on specialized steel tubes. The move, which will open another front in a rapidly escalating trade conflict with Beijing, will allow the EU to join a related complaint filed by Japan against Chinese duties in December. The EU complaint would seek to overturn Chinese duties on exports of seamless stainless steel tubes made by firms such as Tubacex of Spain and Salzgitter of Germany. It comes after Beijing's decision to investigate alleged dumping of EU wine, in apparent retaliation against the imposition of provisional duties on Chinese solar panels, the biggest trade case the EU has launched. WTO rules prevent members from leveling tit-for-tat sanctions, instead requiring proof assembled via a thorough investigation that a country's industry has suffered damage before any duties can be imposed. Sources said the stainless steel case was separate from the dispute over solar panels and wine. In February, the EU won a similar WTO dispute against Chinese duties on X-ray scanners, with a settlement panel in Geneva agreeing the duties imposed by Beijing had not been the result of a proper and thorough investigation. The European Commission is now confident that retaliation by the Chinese is recognized as such. Japan is challenging the steel tube duties and how they were applied, alleging that Beijing did not have enough evidence and kept what it did have secret, shielding the companies who had complained. The tubes, used in coal-fired power plants, are made in Japan by firms such as Nippon Steel and Sumitomo Metal, the South China Morning Post reports. China exported 459,300 metric tons of seamless steel pipes in April, but only 9,500 tons went to the EU, accounting for 2% of the total, according to Chinese customs figures. On the other, China imported 17,500 tons of seamless steel pipes in April, and up to 46.9% came from the EU. According to the European Commission, China accounts for 200 million tons of excess production capacity among 542 million tons of overcapacity globally while the EU takes up 80 million tons.

Fake invoicing inflated foreign trade figures

Fake invoicing inflated China's official import and export totals by USD75 billion in the first four months of the year, according to an internal review by the Commerce Ministry. Actual year-on-year export growth for January to April was only about 7%, while import growth was about 6%. The customs administration officially reported export growth of 17.4% in the first four months of the year, while imports officially grew 10.6%. But analysts widely suspected that the data was distorted by inflated invoices used to circumvent strict capital controls and profit from the appreciation of the yuan. The USD75 billion estimate was based on an examination of logistics data from special customs zones. Such zones house bonded warehouses, where analysts suspect much of the fake invoicing occurred. Imports and exports to and from the special zones increased by 130% year-on-year in the January to April period, compared to only 19.1%

in May, after tighter oversight began. Assuming the true growth rate for January through April was similar to the reported growth rate in May produces an estimate of USD75 billion in fake trade.

- China's exports to Japan declined 5.61% year-on-year in May from the 1.21% drop in April, while exports to the United States went down 1.63% year-on-year in May from the 0.11% drop in April. Shipments to the European Union dropped 9.74% year-on-year in May, compared with the 6.47% decrease a month earlier.
- Taiwan and the mainland are expected to sign a service trade pact during a new round of talks later this month, which could help spur mainland investment on the island. At the 9th round of cross-strait talks, Straits Exchange Foundation (SEF) Chairman Lin Join-sane will negotiate with mainland counterpart Chen Deming, the head of the Association for Relations Across the Taiwan Strait (ARATS), for the first time since he succeeded Chiang Pin-kung in September and Chen Deming succeeded Chen Yunlin in April. The two sides have been negotiating the services agreement in more than 10 meetings since February 2011. The proposed service trade pact is a major follow-up to the landmark Economic Cooperation Framework Agreement (ECFA) signed by the two sides in 2010.
- Three varieties of genetically-modified soybeans were approved to be imported as raw materials for domestic processing. The newly approved GM soybeans included CV127 from German chemical producer BASF and MON87701 and MON87701 x MON89788 from Monsanto Far East. Imports of Brazil's genetically-modified soybeans have also been approved.
- Sweden, Denmark and the Netherlands said EU Trade Commissioner Karel De Gucht should find a diplomatic solution with China to avoid a tit-for-tat trade war, after Brussels imposed tariffs on Chinese solar panels and Beijing retaliated with an investigation into European wine. De Gucht is expected to travel to Beijing on June 20 for talks to try to agree on a solution by setting a minimum price at which Chinese firms can sell solar panels in Europe in addition to sales quotas.

HEALTH

Number of cancer cases rising

Six people are diagnosed with cancer every minute in China and young people and the elderly are most at risk, according to a report in the bi-monthly China Comment journal. There are about 3.12 million new cases of cancer every year in China, and 2 million deaths. There is a rapid rise in cases of lung, breast and colorectal cancers, but doctors say 60% of cases could be avoided by following a healthy lifestyle. The most prevalent cancers in China are those of lung, stomach, rectum, liver and esophagus while lung cancer had the highest mortality rate. Mortality due to lung cancer had risen by 465% in the past 30 years and had become the top cause of death from cancer in China, it said. Chen Wanqing, Vice Director of the National Cancer Prevention and Control Research Office, said 85% to 90% of lung cancers were related to smoking, while 20% of deaths due to cancer in China were related to diet, nutrition and lack of exercise. Experts said that obesity and overweight could double the number of deaths from cancer while alcohol abuse would also be a contributing factor. In 2020, there will be 4 million new cases of cancer in China every year.

Toxic copper sulphate used to preserve eggs

Thirty companies producing preserved eggs – also known as thousand-year eggs – have been closed by authorities in Jiangxi province after reports that toxic industrial copper sulphate was used to speed up production. Nanchang county produces 300,000 tons of preserved eggs annually, or about 15% of the country's total. Industrial copper sulphate usually contains high levels of toxic heavy metals, including arsenic, lead and cadmium, so it is banned for use as a food additive. The eggs are usually preserved with baking soda, salt, and quicklime for about two months. The process turns yolks dark green and the egg white into a stiff, dark jelly. Using copper sulphate could significantly reduce the processing time while achieving the same effect. A plant manager told CCTV that virtually all factories in Nanchang used the chemical.

- A woman who Chinese officials said was 127 years old has died in the Guangxi

Zhuang Autonomous Region. According to official documents, Luo Meizhen was born on July 9, 1885, which would make her the oldest person ever. The claim met with little recognition internationally because China did not have a reliable birth certification system until decades after she was born.

MACRO-ECONOMY

May inflation drops more than expected

China's consumer inflation slowed more than expected in May to 2.1% year-on-year, while factory-gate prices fell for 15 months in a row, indicating economic growth may continue to slow down. The median estimate of 39 economists polled by Bloomberg was 2.5%. The producer price index (PPI), also below expectation, fell 2.9% from a year earlier after a 2.6% drop in April, reflecting weak demand and overcapacity in industries from steel to cement. "The data showed domestic demand failed to be stimulated while external demand was also limited by the high exchange rate of the yuan," Industrial Bank Economist Lu Zhengwei said. As the government aims to keep inflation within 3.5% this year, the subdued May inflation figure will allow China to maintain its easy monetary policy. The inflation figures, along with trade data which showed China's exports grew only 1% in May, added to evidence that growth may slow further in the current quarter. The Chinese leadership has indicated China will tolerate slower growth before they move to roll out stimulus plans, in order to achieve more sustainable growth and avoid stoking bubbles as the nation restructures its economy. Month-on-month, the CPI dropped 0.6% in May. The National Bureau of Statistics (NBS) attributed the drop to food prices. Prices for fresh vegetables dropped 13.8% in May from April, helping to drag down the month-on-month CPI by 0.5 percentage points, it said. Meanwhile, China's industrial output rose 9.2% in May from a year earlier while retail sales increased 12.9%, in line with market expectations. Urban fixed-asset investment rose 20.4% in the first five months of the year, after a 20.6% gain in the first four months.

Analysts say China needs to better utilize funds

Analysts say China's problem is how to channel already abundant financial liquidity more efficiently, not create more of it. Tao Dong, Economist at Credit Suisse, said the central bank had room for monetary easing as inflation is down, but the possibility of cuts in interest rates and the reserve requirement ratio (RRR) is still low. "The government is worried about hot money," he said, noting that such capital had flowed into the country after two interest rate cuts last year. "The government's main concern is the inefficient use of liquidity, not a shortage of it." He warned that inflation might pick up in the second half of the year. Wang Tao, Economist at UBS Securities, agreed the existing credit in the banking system is sufficient. "The key is to better use it and guide it to the real economy," she said, adding monetary easing was unlikely even though inflation was subdued.

World Bank cuts China's growth forecast

The World Bank cut its growth forecast for China to 7.7%, down from its previous projection of 8.3% in April as Chinese policymakers "rebalance the country's growth model." It was the second cut since December when the bank expected that China would grow at 8.4% in 2013. "The main risk related to China remains the possibility that high investment rates prove unsustainable, provoking a disorderly unwinding and sharp economic slowdown," the bank said in its Global Economic Prospects report. "Should investments prove unprofitable, the servicing of existing loans could become problematic – potentially sparking a sharp uptick in non-performing loans that could require state intervention," the bank said. China should address challenges related to the property sector, the financial system and local government liabilities to avoid a sharp slowdown, the World Bank added. Last year, China's gross domestic product (GDP) expanded 7.8% from a year earlier, the slowest in eight years. In the first quarter, growth moderated further to 7.7%, defying market expectations of a mild recovery. Barclays also lowered its 2013 growth forecast for China to 7.4% from a previous 7.9% on the country's smaller growth potential and structural reform.

- Shanghai will develop three core industries in the Jinqiao Development Zone in the Pudong New Area by 2015 under its 12th Five Year Plan. The auto, information technology and manufacturing service industries will each contribute output of more than CNY100 billion. The development of Jinqiao, which contributes one-15th of

Shanghai's total economy, represents the city's ambition to develop industries with high-tech capability and more added value. In 2012, Jinqiao, whose total revenue jumped 30% to CNY495.5 billion, lured 1,770 projects with a total investment of USD21.8 billion from companies like Shanghai General Motors, Datang Telecom and Alcatel-Lucent Shanghai Bell.

- China's power consumption last month reached 426.9 billion kilowatt-hours, 5% higher than a year earlier, the National Energy Administration (NEA) said. Total power consumption over the first five months reached 2.06 trillion kWh, up 4.9% compared with the same period last year. In the first five months of this year, the country put 24.66 gigawatts of new installed capacity into formal operation, including 12.27 GW of thermal power and 6.84 GW of hydropower. Last year's power consumption growth was 5.5%, and that of 2011 was 11.7%.

MERGERS & ACQUISITIONS

Resources companies' merger uncertain

Independent shareholders of China Resources Power (CRP) and sister firm China Resources Gas (CRG) are unlikely to vote in favor of their proposed merger unless the firms can provide more details about proposed post-merger investment into riskier new projects and quantify cost savings, analysts said. While the firms said their proposed merger into a new entity called CR Energy Group would create "the largest Hong Kong-listed, mainland-focused integrated energy utility", analysts said bigger might not be better, unless cost savings and greater profitability could be quantified. Post-merger, the combined market value of CRP and CRG would be HKD137 billion, exceeding the HKD111 billion of leader Huaneng Power International. The merger would see every 100 CRG shares exchanged into 97 newly-issued CRP shares, after which CRG would be delisted. The offer to CRG shareholders is 12.8% higher than the firm's last traded share price prior to the announcement of the proposed merger. The proposal came as a surprise on May 10, as CRP and CRG operate in different industries – one being mainly a coal-fired power generator and the other a natural gas distributor. State-owned China Resources – their majority shareholder, with 64% of CRG and 63% of CRP – has bigger plans for the combined entity. CRP and CRG said CR Energy's "enlarged platform" would allow it to pursue "new business opportunities" in upstream gas production and midstream gas transportation. They include the production of conventional natural gas and various forms of unconventional gas – such as the extraction of methane gas trapped between coal seams and shale rocks, the conversion of coal into methane gas, and the collection of methane gas from ovens that make coke used to smelt steel. Approval for the merger requires votes representing over 50% of CRP's and more than 75% of CRG's independent shareholders. The proposal will be rejected if votes representing more than 10% of CRG's independent shareholders are against it, the South China Morning Post reports.

PETROCHEMICALS

China to become more dependent on Middle Eastern oil

China's dependence on Middle Eastern oil will increase in the coming years, while American dependence will decline, said speakers at the United States-China Economic and Security Review Commission hearing in Washington. The diverging trends will give the United States an upper hand over China, some speakers said, while others predicted China's growing thirst for Middle Eastern oil will lead the country to play a more active role in the region and to become increasingly confrontational with the U.S. In 2011, China imported 2.9 million barrels a day of Middle Eastern oil, which accounted for 60% of its oil imports. The U.S. imported 2.5 million barrels a day, accounting for 26% of its oil imports, said Erica Downs, Fellow of the John Thornton China Center, based in Washington and Beijing. The International Energy Agency (IEA) projects that by 2035, U.S. oil imports from the Middle East will fall to 100,000 barrels a day, or 3% of U.S. oil imports, as a result of increasing oil production and decreasing demand. In contrast, China's oil imports from the Middle East are projected to grow to 6.7 million barrels a day, accounting for 54% of Chinese oil imports over the same period. Chinese oil executives have also indicated continued interest in acquiring oil assets in North America. Bryant Edwards, Partner at Latham & Watkins, a U.S. law firm, said China's strategy in the Middle East was mainly economic. "That would seem to be borne out by the fact that China invests in both Israel and in Palestine, and in both Saudi Arabia and Iran," he said. China's imports from the Middle East (mainly petroleum and gas) grew from USD3.8 billion in 1999 to USD160 billion in 2012, said Dawn Murphy, Research Fellow at Princeton University. Its

product exports to the Middle East have dramatically increased from USD6.47 billion in 1999 to USD121 billion in 2012. In recent years, China had become more willing to challenge the U.S. in the region, Murphy said.

- Chu Kong Petroleum & Natural Gas Steel Pipe, one of China's largest suppliers of pipes to the oil and gas industry, is confident it will turn around unprofitable Nanjing Rongyu Group, which it acquired recently for CNY80.4 million. Chu Kong's Chairman Chen Chang said the company's pipes were already used in building bridges, theaters, airports, exhibition centers, and power grid towers; and the group was exploring applications for steel pipes in nuclear power plants, offshore oil platforms and wind power plants. Nanjing Rongyu has an annual output capacity of 200,000 tons.

REAL ESTATE

Sales of pre-owned houses on the rise in Shanghai

Sales of pre-owned homes in Shanghai rose in May as buying sentiment recovered. The sales of such homes rose 3.7% last month to 20,758 units, Shanghai Deovolente Realty Co said. The average cost for a second-hand home rose 4.7% from April to CNY18,009 per square meter – a record in the city. Lu Qilin, Director at Deovolente, expects “more buyers to sit on the sidelines as supply remains inadequate” while the approaching summer is a time for slack sales.

RETAIL

Value Retail to open first shopping complex outside Europe

Value Retail, one of Europe's largest discount outlet chains, is opening its first complex outside Europe in Suzhou, Jiangsu province, next spring. All the merchandise on sale will be marked down by 40% to 50% from the retail price of the brands' stores in Shanghai and Beijing. Around 100 brands will have outlets in the first phase of the complex. Value Retail plans to spend about €350 million in China with local partners by 2015. “The average spending of Chinese shoppers is €347 per visit, more than any other shoppers,” said Ian Stazicker, Director of Global Marketing. Chinese visitors spent a total of €30 million on tax-free goods at Value Retail's nine outlets in Europe in the first three months of 2013, up 49% year-on-year, while total sales of tax-free products to overseas visitors rose 34%. Chinese tourists spend an average of €875 on shopping per trip abroad, more than people from any other country, according to the Hurun Report's Chinese Luxury Traveler White Paper 2013. The average spending per trip by Chinese travelers is 70% higher than the global average. It is the third consecutive year that Chinese tourists ranked first in the global shopping market.

- Yum Brands, the owner of KFC and Pizza Hut restaurants, said same-store sales in China fell 19% in May, as a result of bird flu and a chicken scandal. It expects its China sales to turn positive in the fourth quarter, which usually contributes nearly half of Yum's total revenue. The Kentucky-based company reported this week that second-quarter same-store sales fell 20% in China, including a contrasting 26% decline at KFC and 7% climb at Pizza Hut stores.
- Sales by Beijing's 43 key retail enterprises climbed 9% year-on-year during the three-day Dragon Boat Festival holiday (June 10-12).

SCIENCE & TECHNOLOGY

Shenzhou-10 meets up with Tiangong-1 space module

Shenzhou-10 blasted off from the Jiuquan Satellite Launch Center on the border between Gansu and Inner Mongolia at 5.38 pm on June 11, carrying three astronauts to the Tiangong-1 space module. It is the Shenzhou's first routine flight. The end of the experimental phase and the start of service flights meant China had acquired nearly all the essential technology and equipment to start construction of its space laboratory and space station next year. The crew includes a female astronaut, Major Wang Yaping, besides Major General Nie Haisheng and Senior Colonel Zhang Xiaoguang. She is China's second female astronaut. This mission is

China's fifth manned mission. President Xi Jinping oversaw the launch at the launch center, addressing the astronauts before they blasted off to wish them success. "You have made Chinese people feel proud of ourselves," Xi said. Premier Li Keqiang was at the space command center in Beijing. China successfully carried out its first manned docking exercise with Tiangong-1 in June last year, a milestone in its efforts to acquire the technological and logistical skills to run a space station. Women astronaut Wang plans to deliver a series of talks to students through a live video feed system. Nie Haisheng, 49, already took part in the Shenzhou-VI mission in 2005 and will become the Chinese astronaut with the most time in space after this mission, when the number of Chinese astronauts who have been in space will increase from eight to 10, including two women.

Submersible Jiaolong starts 103-day mission

China's manned submersible Jiaolong, aboard its support ship Xiangyanghong-9, left a port in Jiangyin, Jiangsu province, for its 103-day mission of scientific research in the South China Sea, the northeast Pacific Ocean and the west Pacific. Jiaolong set a new dive record after reaching 7,062 meters deep in the Pacific Ocean's Mariana Trench in June 2012. The mission will mark the start of a five-year trial period for the Jiaolong before it starts regular operation. For the first time, scientists will be on board with 14 of them qualified for diving. On each dive, two aquanauts and one scientist will be on board. In the first phase of the mission, Jiaolong will conduct experiments on its positioning system, as well as deep-sea ecological and geological surveys in the South China Sea. It will carry out a biological survey, geological sampling and deep-sea photography in the second phase in the northeast Pacific. In the third phase, Jiaolong will study the cobalt-rich crusts in the northwest Pacific.

- China opened its first university campus abroad in the Laotian capital Vientiane. The campus is a branch of Soochow University in Suzhou. There are also plans for what may become one of the world's largest overseas branch campuses in Malaysia and an agreement by a Chinese university to explore a joint campus with a British university in London. In recent years, the Chinese government has set up Confucius Institutes around the globe to promote Chinese culture and language.

STOCK MARKETS

Shanghai stocks drop to six-month low

Shanghai stocks plunged to a six-month low last week as investors worried about of China's economic growth, growing speculation that new share offerings would restart, and a glut of unlocked shares becoming eligible for trading. The Shanghai Composite Index ended at 2,148.36 on June 13, the lowest close since December 13. Investors worried that approval for new listings would resume soon after a seven-month lapse following the securities regulator's release of draft rules. There were also concerns about the oversupply of shares after data showed 3.8 billion non-tradable shares will be unlocked and allowed to circulate this week, up 28.2% from a week earlier.

- Trading in Hong Kong-listed China Mengniu Dairy, one of the largest milk product manufacturers in China, and in Yashili International, one of the top 10 milk formula brands, was suspended. Market speculation was that either Mengniu will acquire a stake in Yashili, or the two would form a strategic alliance. Both companies said in separate filings the suspension was requested because they were about to announce inside information.

TRAVEL

Hilton to open more Waldorf Astoria and Conrad hotels

Hilton Worldwide plans to add about 40,000 employees in China over the next few years to staff its various new properties under the Waldorf Astoria and Conrad brands, according to John Vanderslice, who is in charge of the firm's luxury hotel business. The firm planned to open five more Waldorf hotels in Asia by 2017, Vanderslice said, adding that four of the five would be in the mainland, including one in Beijing and one in Chengdu and two on the well-known resort island of Hainan. At the same time, the group planned to open 11 Conrad-

branded hotels in Asia by 2020, including seven on the mainland, following its opening of the Conrad Beijing in March, Vanderslice said. Hilton, which runs the Hilton namesake hotels, has 13,000 employees in China. Over the next few years, the company expects to increase that headcount to 60,000. China is already the largest market outside the U.S. for Hilton, which was acquired by Blackstone for USD26 billion. When asked if he was concerned about Beijing's recent anti-corruption campaign that some analysts said would hurt sales of luxury products in China, Vanderslice replied: "Government officials won't stay in our hotels. They have their own guest houses." Hilton Worldwide plans to open at least 120 new hotels in China in the next three to four years. By 2015, Hilton will be present in 75 domestic cities as it taps growth in key gateway cities and lower tier cities, said Martin Rinck, President of Hilton Worldwide Asia Pacific. China accounts for over 70% of Hilton Worldwide's new openings in the Asia Pacific, cementing the country's significance in its global network. "We also plan to have more than 55,000 rooms in about four to five years in China compared with the current 12,000 and China is expected to account for half of the Asia Pacific's operating facilities, and that demonstrates our long-term commitment to the country," Rinck said. Hilton and the Double Tree brands are the fastest growing in China. In April, Hilton launched its fifth brand, the Garden Inn, to further tap into China's upscale travel market. Hilton now has 32 hotels in China's mainland under five brands.

- A 50-year-old woman has been arrested in Tours, France, on charges of embezzlement when bringing Chinese wedding tourists to the city. Between 2007 and 2011, about 200 Chinese couples bought Lotus Blue's two-day package for a fee of €3,000 per couple. About one million Chinese visit France every year, according to a survey last year by the Chinese Tourism Academy.
- Shanghai Jin Jiang International Hotels (Group) Co plans to open about 100 limited service hotels in China under the new Metropol brand over the next three to five years. The company signed an agreement in Shanghai to acquire 21 Smart hotels from Tianjin Huasheng Tourism Equity Investment Partners (LLP) and China Wallink Holding for CNY710 million. The 21 Smart hotels in 18 cities, along with other hotels managed by Jin Jiang, will be rebranded as Metropol. Most of the hotels will be in first-tier cities and provincial capitals with room rates between CNY300 and CNY500 per night.

VIP VISITS

Xi Jinping meets representative of Taiwan's Ma Ying-jeou

Honorary Chairman Wu Poh-hsiung of Taiwan's Kuomintang met Chinese President Xi Jinping in his capacity as Communist Party General Secretary in Beijing to discuss cross-strait relations. As an envoy of KMT Chairman Ma Ying-jeou, who is also Taiwan's President, Wu led a delegation of senior KMT officials and cross-strait affairs experts. Ma took office as Taiwan's President in 2008 and adopted a policy of engagement with Beijing, leading to warming cross-strait ties and the signing of 18 non-political agreements and a series of exchanges.

ONE-LINE NEWS

- The Supreme People's Court has asked courts at all levels to impose harsher punishments for crimes related to work safety. Major criminal cases related to work safety can go immediately to intermediate people's courts or above. The notice follows a series of recent deadly accidents across the country, including a plant fire in Jilin province that killed 120 people and injured 77 others on June 3; and a bus fire in Xiamen that claimed the lives of 47 people.

QUOTES OF THE WEEK

"Any nation that conducts trade protectionism is doing harm to its neighbors and will bring all parties concerned to a dead end."

Chinese Premier Li Keqiang, in a meeting with Klaus Schwab, Executive Chairman of the World Economic Forum, quoted in the China Daily, June 15, 2013.

ADVERTISEMENTS

Hainan Airlines, your direct link from Belgium to China



Hainan Airlines, your direct link from Belgium to China.

Hainan Airlines is your 5 Star Airline awarded by Skytrax,
operating direct flights from Brussels to Beijing.

Save time, fly in comfort and have the possibility to connect
to 50 domestic destinations including Hong Kong and Taipei.

A seamless connection and a convenient transfer service will bring you
via Beijing to your destination in Hong Kong.

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: Wim Eraly, Senior General Manager, 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. Carl Peeters, CFO, 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. Philip Hermans, Director General, NV DEME SA

Mr. Egbert Lox, Vice-President Government Relations, NV UMICORE SA

Mr. Wim Eraly, Senior General Manager, KBC Bank SA

Membership rates for 2013:

- Large enterprises: €975
- SMEs: €385

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

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.