法兰德斯中国商会 FCCC VCKK

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

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FCCC ACTIVITIES

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

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

The Flanders-China Chamber of Commerce (FCCC) organized a meeting with the future Ambassador of Belgium in the People’s Republic of China, Mr Michel Malherbe, on 19 June 2013, at KBC in Brussels.

This event provided an excellent opportunity to meet the new Ambassador of Belgium in China and to talk to him about member companies' activities in China.

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 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 Borght), 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

Talent visa for "urgently needed" professionals

Foreigners with management experience at leading multinationals and top specialists in education and science are eligible to apply for a talent visa in China, according to draft legislation. "Urgently needed" professionals, as stated in the law, will be able to apply for the new talent visa, which grants residency for up to five years, or multiple entries for up to 180 days at a time. Five major kinds of professionals may be categorized under the talent pool:

- senior management professionals at globally renowned enterprises, financial institutions, accounting firms and architecture offices, with profound knowledge in the field and its international rules;
- senior specialists at globally renowned enterprises, financial institutions and accounting firms and architecture offices, with independent intellectual property rights and the core technology;
- senior science and education professionals at globally renowned universities and institutions, with ranks equal to professor who have made great contributions to the development of a particular field;
- renowned cultural, arts and sports figures being globally received, or winners of major international awards in their field;
- and other high-end international talent that China urgently needs.

The draft is subject to change after feedback from government departments and experts. More than 30 countries have introduced policies for enhancing travel convenience and making visa processing easier for talent as of 2005, according to the United Nations. A guidance catalogue for foreigners working in China is also being drafted, which will include specific industries that most need foreign experts and which will be updated from time to time. Overseas residents who have "contributed greatly" to China can apply for a permanent resident permit, or "green card". A specific regulation on permanent residency will be drafted by the Ministry of Public Security and the Ministry of Foreign Affairs. Penalties for illegally staying and working in China have been increased. Some 47,100 foreigners were caught violating the immigration law last year.

FINANCE

Banks use text messages to sell financial products

Text message solicitations began arriving on the mobile phones of many wealthy Chinese last month, promising access to lucrative wealth-management products with yields far above the central government's benchmark savings rate. One message read: "China Merchants Bank will issue a high interest financing product starting from June 28 to 30. The product will be 90 days with a 5.5% interest rate. Please call us now." A day later, another message said the interest rate had been raised to 6% and it was a case of "first come first served". The offers are made by some of China's biggest banks, which are raising huge pools of cash to finance a relatively new and highly profitable sideline business: lending outside the scrutiny of bank regulators. The complex way they go about making off-the-balance-sheet loans is at the heart of China's USD6 trillion shadow banking industry, which the government is now trying to tame. Regulators, economists and investors worry that legitimate banks are using lightly regulated wealth-management products to repackage old loans and prop up risky companies and projects that might not otherwise be able to borrow money. Analysts warn that shadow banking is helping fuel the rapid growth of credit in a weakening economy, which could lead to bank failures, the South China Morning Post reports.

Two more provinces to sell bonds directly

Six cities or provinces will be allowed to sell bonds directly this year under an expanded pilot program to establish a regulated financing mechanism for local governments, the Ministry of Finance said in a statement. Jiangsu and Shandong provinces were added to the list, joining Shanghai, Zhejiang, Guangdong and Shenzhen, which were approved in November 2011 as the first local governments eligible to issue bonds directly. Combined bond sales for the pilot regions should not exceed a maximum of CNY350 billion, a number set in this year's budget report. Before the pilot program was introduced, local government bonds had to be sold via the Ministry of Finance. In 2011 and 2012, the pilot governments sold CNY22.9 billion and CNY28.9 billion in bonds, respectively, on their own. But principal and interest payments on these bonds sold by local governments, both directly or indirectly, were still ultimately handled by the Ministry of Finance. The bonds to be sold this year will have maturities of three, five, or seven years, with each maturity being less than 50% of the total sales volume. The pilot regions were also asked to create conditions for establishing a credit rating system for their debt issues, but as long as the Ministry of Finance is responsible for the repayment, there will be no risks for default. The pilot expansion "is a step along the right path. But given the huge borrowings by local governments, such a small expansion won't have any impact", Ken Peng, BNP Paribas Economist in Beijing, said.

- Beijing has approved the relaunch of government bond futures after an 18-year hiatus, taking a further step towards liberalizing interest-rate mechanisms. The China Securities Regulatory Commission (CSRC) has yet to decide when trading will begin, but it could be as early as September. The move comes despite a cash squeeze on the interbank market that drove interest rates to record highs on June 20.
- The central bank wants to encourage financial institutions to use securitization as a regular business tool, Liu Jianhong, Inspector at the Financial Market Division of the People's Bank of China (PBOC), told a forum in Beijing. So far CNY89.6 billion worth of securitized products have been issued in China, the PBOC said.
- China's big-four banks may have extended around CNY270 billion in total new lending in June, equivalent to the average in the previous five months but lower than expected. In the first five months, the big-four lenders have extended CNY1.18 trillion of new loans. The quartet normally account for 30% to 40% of the country's total lending.
- Singapore state investor Temasek Holdings said it does not expect last month's liquidity crunch in Chinese banks to have an impact on its banking investments in China. "There is sufficient liquidity in the system, so we are not concerned about a liquidity crunch over a prolonged period," Chia Song Hwee, head of Temasek's investment group and co-head of China, said. "The banks that we have invested in are actually very well capitalized." Temasek has an 8% stake in China Construction Bank (CCB) and has also invested about USD2.4 billion in the Industrial and Commercial Bank of China (ICBC) since last year alone.
- China Investment Corp (CIC), China's USD480 billion sovereign wealth fund whose chairmanship had been left vacant for about five months, confirmed that Ding Xuedong, a former Deputy Secretary General of the State Council, was officially named CIC's new Chairman.

FOREIGN INVESTMENT

More foreign companies set up offices in Hong Kong

More foreign companies set up offices in Hong Kong in the first half of this year but they were smaller and employed fewer people than previous arrivals. InvestHK said there were 213 new firms in the first six months, up 1.9% on the year. The companies planned to employ 1,576 people during their first year of operations, a year-on-year decline of 17.8%. The mainland remained the biggest source of investment, with 51 companies setting up offices in the city during the first half, against 38 a year ago.

FOREIGN TRADE

Shanghai gets go-ahead for free trade zone

The Chinese government approved Shanghai's free trade zone (FTZ) project, which will catapult the city to the forefront of global logistics centers. The project, occupying 28 square kilometers, will center around the Yangshan Deep Water Port and will take more than 10 years to build. When completed, the free trade zone will provide world-class transport and communications facilities and a tax-free environment for domestic and foreign enterprises as a major hub of their supply chains in Asia. The project, mapped out at the start of this year, is the first of its kind in China and is also one of Shanghai's major tasks for 2013. Han Jun, Party Secretary of Cosco Logistics (Shanghai) Heavy Haulage Co, said the logistics industry in Shanghai is relatively disorganized, as it is not regulated under certain management rules and sector standards, which urgently need to be improved to meet demand from multinational companies. Huo Jianguo, Dean of the Chinese Academy of International Trade and Economic Cooperation, said the free trade zone trial is a breakthrough in further promoting China's opening-up policy. Shanghai's free trade zone will include the Waigaoqiao Free Trade Zone, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. Economists said the plan, aimed at eventually creating a "mini-Hong Kong" would benefit Shanghai as the city sought new engines to revive its slowing economic growth. Xu Quan, Deputy Director of the Shanghai Financial Services Office, told a financial forum that reforms of interest rate and exchange rate mechanisms would be carried out in the free-trade zone. "It can be noted that the economic growth rate of Shanghai has been slowing down recently. The establishment of the free trade zone provides a perfect opportunity for Shanghai to seek new growth points," Chu Xuejian, Deputy Director of the Shanghai Logistics Society, said. Shenzhen already has a small free trade zone, while authorities at the Dongjiang Free Trade Port Zone in Tianjin have aimed to transform the port into an FTZ, focusing on financial leasing, offshore finance and international shipping.

China and Switzerland sign free trade agreement

China and Switzerland signed a free trade agreement – Beijing's first in continental Europe. Chinese Commerce Minister Gao Hucheng and Swiss Economy Minister Johann Schneider-Ammann signed the agreement in a ceremony at the Ministry of Commerce (MOFCOM) in Beijing. The two countries traded USD26.3 billion in goods last year. Switzerland was the world's 19th largest economy in 2012, according to the World Bank. Switzerland mainly sells watches, pharmaceuticals, chemicals and machinery to China, which ships mostly textiles and machinery back to Switzerland. Minister Schneider-Ammann said tariffs imposed on luxury watches could fall by 60%, while Switzerland will remove similar taxes on Chinese textiles and shoes. According to Xinhua news agency, as much as 99.7% of Chinese exports to Switzerland will be immediately exempted from tariffs, while 84.2% of Swiss exports to China will eventually receive zero tariffs. The scope of tariff reductions under the deal, which will cover 99.99% of Swiss exports to China and 96.5% of Chinese exports to Switzerland, exceeded the 90% level of an average FTA, Chinese Minister of Commerce Gao said. Switzerland had a USD22.8 billion trade surplus with China in 2012. China signed a FTA with Iceland in April. Switzerland also wants to become an offshore yuan trading center in Europe, competing with Frankfurt and London to handle trade in the Chinese currency.

- South Korea's Minister of Trade, Industry and Energy Yoon Sang-jick said that the first-stage talks on a free trade deal between Beijing and Seoul could be finalized in September. The sixth round of Sino-Korea FTA talks was held in Busan, and the seventh round will be held in China between August and September.
- China formally launched an investigation into whether the European Union is subsidizing and dumping wine in the Chinese market. "In the investigation process, the Ministry of Commerce (MOFCOM) will follow the principles of openness, fairness and transparency, fully respect all parties' legal rights, and make a fair ruling based on objective fact and the relevant laws and regulations," the Ministry said in a statement on its website. European officials have suggested China was targeting European wine in retaliation for the row over the solar industry. In June, the EU levied tariffs on Chinese solar panels at 11.8% for two months, but warned that duties averaging 47% would be implemented after that period if a negotiated agreement could not be reached.
- China is becoming "positive" toward the U.S.-led Trans-Pacific Partnership (TPP),

saying it could eventually join, although it will take time to do so, according to sources at the Ministry of Commerce (MOFCOM). Consensus has been reached on the importance of the free trade pact, a step forward from some time ago, when many people were opposed to the proposal, an official told China Daily on condition of anonymity. In May, U.S. Under Secretary of Commerce for International Trade Francisco J. Sanchez said the United States would welcome China joining the TPP.

- China has offered a quota for its solar panel exports to the European Union, but it is less than 20% below total Chinese exports last year, and conditional on their being taxed at low or zero rates. The country offered to cap its annual exports of solar components to the EU at 10 gigawatt (GW), or half of the country's yearly output, according to Wang Sicheng, Researcher with the National Development and Reform Commission (NDRC).

HEALTH

40-year old chicken feet confiscated

Packs of chicken feet smuggled into the country to be processed and sold in south China were over 40 years old, police said. Nanning police said they recently confiscated more than 20 tons of expired chicken feet along with cows' stomachs, throats and other animal organs, also out of date, in Nanning, capital of the Guangxi Zhuang Autonomous Region. The oldest packs of frozen chicken feet were labelled as being produced in 1967. "These raw materials were smuggled from neighboring countries and smugglers would soak them in toxic chemical solutions to remove the blood and smell and sell them on to markets," police said. There is a massive trade in chicken feet and other animal parts from foreign countries, including the United States and the UK, to Chinese cities because these animal parts are popular in China but regarded as waste in most foreign countries. Some trade is legitimate, but much of it is illegal, with smugglers hiding frozen animal parts among fruit or lumber destined for China. Over the past year, frontier police in Guangxi said they had cracked seven major smuggling cases involving chicken feet with the total value of over CNY20 million. Smugglers could buy a ton of chicken feet for about CNY5,000 from foreign sellers, but sell them at four times that amount after defrosting, processing and packing, the Shanghai Daily reports.

- Drinking straws that pose a potential health hazard were ordered to be removed from sale in Shanghai's Yuyuan Garden area, believed to be the source of most of the straws used in the city. Doctors say substandard straws could harm the digestive system and liver and lead to early puberty, infertility and even cancer because they discharge harmful substances when in contact with hot drinks. Lou Zhongping, who helped draft the national standard for drinking straws that came into effect in 2010, said packs of straws that lacked production information dominated the market in Shanghai.
- Three popular Chinese milk powder brands contain trans-fat that experts say could lead to heart disease and should be avoided by infants, a laboratory test commissioned by the South China Morning Post has found. The tests found that the three brands – Beingmate's Baby Club, Synutra's Super infant formula, and Yili's Gold infant formula – each contain between 0.4 and 0.6 grams of trans-fatty acids per 100 grams of milk powder. Chinese law does not require labels on baby formula to state the trans-fat content. The levels of trans-fat in the formula fall within mainland and international safety standards.

IPR PROTECTION

Shanghai court hears claim that Apple's 'Siri' is copycat

A case against Apple brought by a Chinese firm for alleged patent infringement in its digital personal assistant "Siri" has begun in a Shanghai court. Lawyers representing Apple and Zhizhen Network Technology argued over the technical specifications of Siri and the Chinese company's "Xiao i Robot" product. Zhizhen is demanding Apple stop making and selling products in China which carry Siri, an intelligent personal assistant which responds to a user's commands through voice recognition software. The firm claims it filed a patent for the "Xiao i Robot" software in 2004, which was approved two years later. Apple's Siri, which made its debut with the release of the iPhone 4S in 2011, was first developed in 2007. Apple's lawyers argued that the two function in a similar way, but that technology used by Apple is totally different from the plaintiff's. Yuan Yang, a lawyer representing Zhizhen, said: "Our main goal at the current stage is to let the court validate our claim regarding the infringement. We are not ruling out the possibility of mediation or compensation, but they are to be considered in the future." The court made no ruling yet.

- Before Apple launches the "iWatch", it may have to first contend with a series of similarly-named Chinese trademarks. The name "iWatch" was already registered with the China Trademark Office by nine different companies, including Beijing Netmovie and the Hong Kong branch of Sunmex. However, only three of these companies filed for the trademark under "watch" and "computer peripheral" classifications, and the China Trademark Office confirmed in reports that these three filings all have an "inactive" – or expired – status.

MACRO-ECONOMY

Growth in services sector slowing down

China's official purchasing managers' index (PMI) for the services sector dropped to 53.9 in June from May's 54.3. Although an indication that growth in the sector is slowing, services fared better than the manufacturing sector, which is facing excess capacity, sluggish foreign demand and cautious domestic consumers. Separately, the HSBC/Markit Purchasing Managers' Index (PMI) for the services industry inched up to 51.3 last month from May's 51.2, after growth in new orders hit a 55-month low and business confidence slumped to depths last seen in late 2005 when records began. The services sector accounted for 46% of China's economy last year, and its tepid growth may worsen investor fears that China's economic cool-down is deepening. Most analysts now expect China's economy to slow further in the second quarter. In the HSBC survey, a sub-index for new orders fell to 50.5 in June, the lowest since November 2008. Only 9% of survey respondents saw new orders rise that month, HSBC said. The employment sub-index in the HSBC poll showed improvement for the second consecutive month in June. China's job market has held up even though its economy is likely to grow at its slowest pace in at least 14 years this year. The resilient labor market explains in part Beijing's ease with the country's fizzling economic growth momentum.

"Likonomics" launched to describe Li Keqiang's policies

Both the South China Morning Post and Barclays Capital recently launched the term "Likonomics" to describe the economic policies of Chinese Premier Li Keqiang. Barclays Capital described the three pillars of Li's economic policies as no stimulus, de-leveraging and structural reform. Li wants to lessen government-directed investment, lower China's credit ratio and loosen controls over utility prices and interest rates. The China Daily said Likonomics was "in a nutshell, trading the economy's short-term pain for long-term gain." If Likonomics succeeds, "it may be seen as a mini-crisis on a controlled scale, engineered by the government's visible hand, to divert from the likelihood of a more serious crisis that would otherwise be inevitable if things are left entirely to be decided by the invisible hand of market forces," the newspaper said. "China's visible hand is likely to work as regulation within the market, instead of against the market." A journalist for The Economist reported that Beijing's aversion to government-sponsored surpluses and over-aggressive de-leveraging might do more harm than good. "Too many economists in China now think that stimulus is autonomous with reform, as if micro-economic evolution requires macro-economic pain," the Economist blog said. "It doesn't… [China] still runs a sizable current-account surplus, which shows that it spends less than it earns… Its domestic demand falls short of its supply… and consumer price inflation remains low, which shows that domestic and foreign demand combined are not putting undue pressure on productive resources. China does not need to spend less. It just needs to spend differently."

- Chinese factories ran at their slowest pace in nine months in June as the new leadership's caution in boosting liquidity dampened hopes that aggressive monetary easing would provide easier credit. Premier Li Keqiang has diverged from the policy of his predecessor by refraining from injecting fresh liquidity into the economy to ease a credit crunch on the interbank market. Patrick Chovanec, Chief Strategist at Silvercrest Asset Management and a former Professor at Tsinghua University, said reining in credit expansion may help curb overcapacity and bad debt, although "it will translate to slower growth, at least in the short term".

- Hong Kong manufacturers are facing a tougher market on the mainland because of a credit crunch and a slowing economy, the Chinese Manufacturers' Association (CMA) said. There are more than 40,000 Hong Kong-owned factories operating in the Pearl River Delta region, with nearly 60% selling their products on the mainland, according to a CMA survey that polled 266 member companies in March. Only 14% saw mainland sales grow in the first three months of the year, compared with 31% a year ago. 33% expect increased mainland sales this year, compared with 38% last year.
- China's inflation may rebound in June due to a low comparative base a year earlier and also due to higher prices of pork, analysts said. Tang Jianwei, Economist at the Bank of Communications (BoCom), said the Consumer Price Index (CPI) may rise between 2.4% and 2.8% in June.
- The approval by the central government of a new nuclear emergency plan removed the last major obstacle for a return to the fast-track development of the nuclear power industry, according to experts. The plan stresses the importance of information transparency, international collaboration and efficiency when handling a nuclear accident. China has been making efforts to upgrade safety standards since the Fukushima disaster in Japan, and nuclear enterprises have had to upgrade their technology and improve management. The National Development and Reform Commission (NDRC) set a new benchmark price of CNY0.43 per kilowatt-hour for electricity generated by new nuclear power plants, higher than current prices set for most commercial reactors.
- Beijing has suspended the release of industry-specific data from a monthly survey of manufacturing purchasing managers, as the time to analyze the data was limited. "We now have 3,000 samples in the survey, and from a technical point of view, time is very limited – there are many industries," Cai Jin, Vice President of the China Federation of Logistics and Purchasing (CFLP), said. The Purchasing Managers Index (PMI) also omitted readings on export orders, imports and inventories without any explanation from the government. Less information makes it more difficult to assess the magnitude of the economic slowdown.
- The refusal of a court in Jiangsu province to enforce a Shanghai arbitral award spells risks for firms seeking arbitration in China, according to lawyers. "This confirms the risk parties face that awards may be unenforceable where Shanghai or Shenzhen is stipulated in the arbitration clause. Parties who have chosen to resolve their disputes should manage their risks by reviewing and revising, if necessary, their arbitration clauses," said James Kwan, an international arbitration and dispute resolution Partner at law firm Baker & McKenzie.

PETROCHEMICALS

CNPC to buy stake in Kashagan oil project

China National Petroleum Corp (CNPC) will buy a stake in Kazakhstan's giant Kashagan oil project through back-to-back deals with Kazmunaigaz. Lyazzat Kiinov, Chief Executive of Kazmunaigaz, confirmed the deal structure on the fringes of a summit of gas exporting nations in Moscow, telling Reuters that CNPC would pay more than USD5 billion for the stake. ConocoPhillips, which is in the process of whittling down its worldwide portfolio, has an 8.4% stake in the Kashagan project operator, but will sell its share. Kiinov said he hoped the transaction would be completed quickly. Sources said CNPC would pay around USD5.4 billion for the stake. Kazakhstan, home to 3% of the world's recoverable oil reserves, has moved in recent years to exert greater management control and secure bigger revenues from foreign-owned oil and gas projects. Kazmunaigas entered the Kashagan consortium as a shareholder in 2005 and has since then doubled its stake to 16.81%. Kashagan, with reserves estimated at 35 billion barrels of oil, is expected to produce its first oil in September. During Kashagan's development, production will be gradually ramped up to 370,000 barrels per day (BPD) in the second stage from 180,000 BPD in the first stage. ENI, ExxonMobil, Royal Dutch Shell and Total currently all hold 16.81% stakes in Kashagan, while Japan's Inpex owns 7.56%.

- PetroChina's shares soared last week after China said it will raise wholesale gas prices to a national average of CNY1.95 per cubic meter from CNY1.69 for non-residential users, in a long-awaited move to bring domestic prices closer to import rates and pass on some costs to users. The price increase takes effect from July 10. The NDRC said it will set different prices for existing gas sales based on 2012's volume and incremental gas whose sales are beyond those of last year. Incremental sales, subject to higher rates, may account for 9% of 2013 sales.

- China and other countries need to allow more open access and competition for their shale gas industries if they want to duplicate North America's success in exploiting the resource, Christof Ruehl, BP's Chief Economist, said, adding that a system that allows everybody to participate will help advance technology and cut costs. China possesses the biggest shale potential outside the U.S., but it has yet to produce any commercially.
- China National Petroleum Corp (CNPC) has agreed to help finance the construction of the USD12 billion, 300,000 barrel-per-day, Pacifico refinery project in Ecuador. State-run Petroecuador has a 51% stake in Pacifico, and Venezuela's PDVSA holds the rest. Both companies have agreed to come up with 30% of the necessary financing, while the remainder is being sought from external partners. Construction is in its first phase and the project is 21% complete. The refinery is intended to cut domestic fuel costs for Ecuador, the smallest member of OPEC, which pumps about 500,000 barrels of crude per day but has to import oil products because of its low refining capacity.

REAL ESTATE

Home prices still rising

Home prices in China continued to rise in June, extending their rise for the 13th straight month, but at a slower pace. The average price of new homes in 100 cities rose 0.77% from May to CNY10,258 per square meter, the China Index Academy said. That compared to a 0.81% growth in May, a 1% rise in April and March's 1.06% gain. The number of cities that registered monthly price rises fell to 71 in June, compared to May's 77. Of those, 26 saw increases of more than 1%, 17 fewer than in May. Changshu in Jiangsu province led last month's gainers with a 3.64% rise. There were price drops in 29 cities, with Zhanjiang in Guangdong province registering the biggest drop of 1.45%. In the 10 largest cities, the average price of a new home rose 1.01% to CNY17,376 per square meter in June compared to May's 1.05% rise. Guangzhou continued to lead with a 2.74% gain, followed by Nanjing, Beijing and Shenzhen, which grew 1.69%, 1.59% and 1.5%, respectively. Shanghai saw its home prices climb 0.58% from a month earlier. "Growing uncertainties of economic growth and concern about a liquidity squeeze encouraged real estate developers to release more of their houses for sale, which as a result, led to the continuously slower pace of home price growth," the Academy said. "However, as demand from buyers remains solid and land markets continue to pick up notable strength around the country, home prices in China are still under great pressure to rise further." A separate report from the Academy showed that the country's residential property market continued to recover in the first half of this year, with major developers recording robust sales. Nine real estate developers managed to secure home sales of more than CNY30 billion in the first six months, compared to six in the first half of 2012. China Vanke Co, topped the scale in both value and volume, the Shanghai Daily reports.

- Shanghai's land sales surged in the first half of this year as improving sentiment helped boost property developers' outlook. Between January and June, 4.66 million square meters of land were sold across the city for CNY70.3 billion, an annual surge of 120% and 379%, respectively, Soufun.com, said. A total of 713,200 sq m of land were sold for housing, excluding government-subsidized affordable homes, for CNY11.99 billion. Land totaling 2.36 million sq m designated for commercial development was sold for CNY54.6 billion. The final 1.58 million sq m, designated for affordable homes, were sold for CNY3.75 billion.
- In the first half of the year, CNY15.2 billion of property acquisitions worth more than USD10 million each were sealed in Shanghai, up 18.7% from the same period a year earlier, according to DTZ. "Overseas buyers dominated the market in the first six months of this year as they sealed 66% of the total deals, a significant rise from 22% registered in the same period a year earlier," said Jim Yip, co-Director of DTZ China Investment. "The office segment still remained the most popular real estate type among investors, accounting for 59% of the total property investment during the six-month period."

RETAIL

Five infant formula makers investigated for price-fixing

Five foreign manufacturers of infant formula – Nestlé, Abbott Laboratories, Mead Johnson Nutrition, Danone's Dumex brand and Wyeth Nutrition – are being investigated by China's top economic planner over suspected price-fixing. The National Development and Reform Commission (NDRC) said there was evidence that the price of milk powder sold by these companies had risen by about 30% since 2008. Nestlé, Mead Johnson and Wyeth said they were cooperating with the investigation. The investigation comes as China is making efforts to revitalize and consolidate the domestic milk formula industry after a series of food safety crises, including the melamine-tainted milk scandal of 2008, damaged the industry's reputation and dented consumer confidence. "China's infant formula industry is very scattered with only three companies having an annual production capacity of 30,000 tons among a total of 127 infant formula companies," Gao Fu, of the consumer goods division at the Ministry of Industry and Information Technology (MIIT), said. China was aiming to create 10 large companies within two years, each with annual revenue of more than CNY2 billion. Domestic companies accounted for just 20% to 25% of the high-end infant milk powder market. Earlier this year, liquor makers Kweichow Moutai and Wuliangye Yibin were fined a total of CNY449 million by the NDRC for price fixing, the Shanghai Daily reports. Wyeth Nutrition announced it was cutting prices in China, and improving sales and marketing practices. The average reduction will be 11% with the biggest single product price reduction of 20%. Analysts said the investigation could result in fines and tougher rules governing imports into an infant milk market set to grow to USD25 billion by 2017. The firms could face fines of up to 10% of annual sales. The NDRC is also investigating costs and prices charged by drug makers, including units of GlaxoSmithKline and Merck. The NDRC will examine 27 companies on cost issues and 33 for pricing. The investigation is to understand the cost and pricing situation within the companies, and to adjust drug prices in a timely manner, the NDRC said.

- A coalition of 100 Chinese and international NGOs have united to call for an end to the "criminal and cruel" dog meat industry. The call comes nearly two weeks after a dog meat festival in Yulin, Guangxi, went ahead despite protests from animal rights activists. The NGOs, including The Humane Society and Yulin Animal Protection Center, say the annual festival creates a surge in demand for dog meat, which encourages illegal practices. More than 10,000 dogs are reportedly slaughtered during the festival.
- China Huiyuan Juice plans to sell some loss-making factories out of its total of 40 to raise its profitability to the industry average, though it expects double-digit percentage growth in revenue for the next few years. The Hong Kong-listed company is the largest producer of 100% juice and of nectar in China, commanding 54.2% of China's juice market and 44.1% of its nectar market. "In the past, we built lots of factories. In future, we want to improve efficiency," Vice President Wang Xunyoung said.

STOCK MARKETS

CSCR worried about influence of social media

The China Securities Regulatory Commission (CSRC) announced on June 21 tighter supervision of market-sensitive information shared using social media platforms, in particular Weibo, China's largest microblogging service. The CSRC's statement came a day after rumors spread online about Bank of China (BOC) facing insolvency, which triggered the worst turmoil in the interbank money market in decades. Beijing has been concerned about the rising influence of social media for some time, but mostly from a political rather than market-related perspective.

- Tsingtao Brewery entered the history books 20 years ago when it became Hong Kong's first H-share listing on July 15, 1993. H shares have since come a long way, turning into a major part of the local market. There are now 176 H shares listed in the city, representing a fifth of the local market capitalization and nearly two-fifths of turnover.

TRAVEL

China’s cruise market shows strong growth

China’s cruise market grew strongly last year. There were 285 international cruise ship arrivals on the Chinese mainland last year, up 8.8% from 2011, according to the annual China Cruise Industry Development Report. Passenger arrivals and departures via cruise ships jumped 31.9% to 660,000 last year, of which 240,000 were international visitors. “The country needs to plan to best utilize tourism resources and coordinate developments among different regions,” said Zheng Weihang, Secretary General of the China Cruise & Yacht Industry Association, which compiled the report. He warned that as more Chinese cities build and expand cruise ports, a new round of vicious and inefficient competition will be inevitable without national-level planning and coordination. Xiao Baojia, Vice President of the Shanghai Maritime University, agreed, adding that China should also do more to help develop domestic cruise operators. Shanghai has been developing its cruise industry in the North Bund area.

Number of hotel rooms to double in Hong Kong

The number of hotel rooms in Hong Kong needs to be almost doubled in the next 10 years as more tourists flock to the city, according to Jack So, the head of a government economic task force. Tourist numbers would rise steeply in the coming decade, especially after the opening of the Hong Kong-Zhuhai-Macao bridge and the high-speed cross-border railway. According to figures from the Hong Kong Tourism Board and the Tourism Commission, the number of overnight visitors rose 37.2% from 17.3 million in 2008 to 23.7 million last year. More than 70% of the city's visitors last year were from the mainland, with about 43% of them spending at least one night in Hong Kong. So said Hong Kong should actively attract more big-spending travelers and build more tourist attractions, but there should also be measures to minimize the impact of the visitor influx on the local population. Tourism Board statistics show there are 243 hotels providing 71,959 rooms. The number of rooms will increase by 2,525 next year, according to numbers approved by the Building Authority up to March this year. By 2017, there will be 273 hotels providing a total of 76,603 rooms, representing an increase of 6% from this year. Adding other hotel projects whose completion date has yet to be announced, the number will further increase by 7,368, representing only 16.7% more rooms than this year. The average occupancy rate of hotels had remained at 87% in the past few years, Federation of Hong Kong Hotel Owners Executive Director Michael Li said.

- The Shanghai-Ningbo high-speed railway opened last week, cutting travel time between the two cities from 180 minutes to 100 minutes. The line, which has a maximum speed limit of 300 kilometers per hour, is an extension of the Shanghai-Hangzhou line that opened about three years ago. The Nanjing-Hangzhou high-speed railway also opened. An express train between the cities takes about 70 minutes.
- The Shanghai Metro operator Shanghai Shentong Metro Group is considering offering free rides between 5 a.m. and 6 a.m. every day, and half-price tickets between 6 a.m. and 7 a.m. like in Melbourne, to lessen rush-hour traffic. The operator also promised to further improve the capacity to meet surging demand. Shanghai currently has 12 Metro lines in operation, covering 488 kilometers. The Metro is expected to serve about 8 million people every day by 2015.
- Air China launched the country’s first in-flight wi-fi service on an Airbus A330 aircraft flying from Beijing to Chengdu, and the airline plans to provide the service on all its A330 planes this year. Passengers can only use their laptops or tablets as China’s civil aviation laws do not allow mobile phones to be used during flights.
- Three stranded passengers attacked two China Eastern Airlines employees at Shanghai’s Hongqiao airport as it struggled to get back on schedule after Friday’s thunderstorm caused the cancellation of all outbound domestic flights from 9 p.m. onwards at Shanghai’s two airports.

VIP VISITS

Pakistan Prime Minister Nawaz Sharif visits China

Nawaz Sharif began his maiden foreign trip as Pakistani Prime Minister, visiting China hoping to secure infrastructure projects to help tackle Pakistan's economic and energy problems.

Sharif met President Xi Jinping and Premier Li Keqiang before heading to Shanghai. The visit is the second high-level meeting between the two nations since May, when Li visited Pakistan. Trade between China and Pakistan last year reached USD12 billion – a fraction of China and India's USD67 billion bilateral trade – but both are still strategic allies. Sharif said that one of his priorities for discussions with the Chinese leadership was the China-Pakistan economic corridor. A Chinese firm has the rights to operate the corridor, which links Kashgar in Xinjiang and the Indian Ocean port of Gwadar in Pakistan. The corridor, which included a rail line and special economic zones, was expected to boost bilateral trade and reduce the journey time for goods being taken from eastern parts of China to central Asia, Sharif said. He added that a credit line and a special fund for the economic corridor should be established. The route would make it easier for Chinese businesses to export goods to the Middle East and Europe through Pakistani territory. Sharif said Chinese companies could participate in the building of mass transit lines in Karachi and a high-speed rail link between Karachi and Peshawar. He also invited Chinese involvement in a number of coal and solar energy projects.

ONE-LINE NEWS

- The Supreme People's Court has started posting its judgments online, allowing the public to access most of its verdicts – including its review of the death sentence – but excluding those concerning state and commercial secrets. The online postings would help promote an independent and transparent judiciary, with the public playing a supervising role.
- China's former Railways Minister Liu Zhijun was given a suspended death sentence for bribery and abuse of power by a court in Beijing. Under Chinese law suspended death sentences are normally commuted to life imprisonment.
- Cash-rich Chinese companies are eyeing strong brands as a key goal when making merger and acquisition deals in Europe despite concerns about risks to their reputation, a survey by international law firm Clifford Chance said. "Chinese respondents risk much of their reputations if the M&A deals they are involved in fail," said Tim Wang, Partner at Clifford Chance's Beijing office.

ANNOUNCEMENTS

Master of China Europe Business Studies

Antwerp Management School, the autonomous management school of the University of Antwerp, designed a master for recent graduates and young professionals willing to do business in a China-Europe context. The program provides solid academic knowledge for mastering business operations and a real-life experience of the multicultural environments of Chinese and European markets. Participants will spend five months in Antwerp (Belgium), and an additional five months in either Angers (France), Budapest (Hungary) or Shanghai (China) and a further two months for a China Consulting Project in Europe and/or China. By teaming up with international students, they will have unique networking opportunities and meet China-Europe related business contacts. More information can be found on this website.

OpenChina-ICT Newsletter – 6th Edition

The OpenChina-ICT Newsletter 6th Edition is now available with information on the 2nd OpenChina-ICT Thematic Workshop on August 23, 2013 in Beijing; the Final OpenChina-ICT Conference on November 5, 2013 in Vilnius, Lithuania; and new stories from the past quarter. The OpenChina-ICT project, supported by the European Commission through its FP7 research funding program, aims at significantly contributing to the facilitation of ICT-related research cooperation between Europe and China. Website: http://openchina-ict.eu/

EU SME Centre Newsletter June 2013

The EU SME Centre Newsletter June 2013 has been published. The thirteenth issue focuses on information and communication technology in China.
1. China statistics – Numbers of interest.
2. Upcoming highlights
3. Centre publication – A report on China's ICT sector highlights challenges and opportunities for EU SMEs

4. Enquiry of the month – Are there opportunities for European computer game developers in China?
5. Expert's corner – Legal expert Ludmila Hyklova explains changes in China's foreign exchange administration
6. SME tip of the month – China's mobile phone application market is maturing
7. Recent and upcoming publications
8. Trade fairs in the ICT sector
Website: www.eusmecentre.org.cn.

Deloitte upcoming webcasts

- Thursday, 11 July, 2:00 – 3:00 PM HKT (GMT +8): China's Latest Updates Affecting Non-Residents: Prepare in Advance
- Tuesday, 16 July, 4:00 – 5:00 PM HKT (GMT +8): EU Financial Transaction Taxes: Ripple Effects for Asia Pacific?
- Tuesday, 23 July, 12 noon – 1:00 PM HKT (GMT +8): Evolving Taxation Impacting the Australian Resources Sector
- Thursday, 25 July, 12 noon – 1:00 PM HKT (GMT +8): Inbound Investments and Other Tax Updates from New Zealand
- Tuesday, 30 July, 2:00 – 3:00 PM HKT (GMT +8): Implications of Recent CBDT Circulars on Contract R&D Centers in India
- Thursday, 1 August, 2:00 – 3:00 PM HKT (GMT +8): Article 3(2) and the Search for Meaning: How to Interpret Undefined Terms in Double Tax Treaties (Part 2)
- Wednesday, 7 August, 2:00 – 3:00 PM HKT (GMT +8): Audits of Intangibles in Transfer Pricing: An In-Depth Look at Recent Controversies
- Tuesday, 20 August, 2:00 – 3:00 PM HKT (GMT +8): VAT and GST Reforms in China and India: Different Paths, Same Destination?
- Wednesday, 21 August, 1:00 – 2:00 PM HKT (GMT +8): Japan's Renewable Energy Market: Feed-In Tariff Program Generates Opportunities and Challenges
- Thursday, 22 August, 2:00 – 3:00 PM HKT (GMT +8): Indirect Share Transfers in Asia Pacific: Identifying and Managing Tax Exposure on Capital Gains

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