法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

NEWSLETTER | 12 NOVEMBER 2013

ACTIVITIES

EU-China Business Summit 2013 – 21 November 2013 – Great Hall of the People, Beijing

Time: 2013-11-21, 09:00 – 18:00 h.
Venue: The Great Hall of the People, West Chang'an Street, Beijing
Fee: CNY2,500
Type: Seminars

Event info:
The EU-China Business Summit, organized by the European Chamber and CCPIT, under the patronage of the European Commission and MofCom, and with the collaboration of EU-China Business Association and BUSINESSEUROPE, will take place at the Great Hall of the People on 21st November.

With limited seats available, reserve your place now. This year's summit will gather around 700 Chinese and European attendees, including global CEOs and board members as well as many China CEOs and VPs.

Confirmed speakers
Mr Li Keqiang, Premier of the People's Republic of China
Mr Jose Manuel Barroso, European Commission President
Mr Herman van Rompuy, President of the European Council
Mr Davide Cucino, European Chamber President
Mrs. Emma Marcegaglia, BUSINESSEUROPE President

Agenda
09:30 Registration
10:30 Three Workshops (run in parallel)

Topic 1: An innovation driven economy
The speakers will share their insights on business' role in achieving China's target of building an innovation driven economy by 2020.

Topic 2: Investment in society
The speakers of this workshop will address the question on how foreign investment serves people and society in general.

Topic 3: The Role of Business in Global Economic Integration
Speakers in this workshop will present how business models contribute to a greater economic integration between EU and China and how MNCs can support the development of SMEs.

13:00 Networking Lunch
15:00 Two Plenary Sessions (Auditorium, 3rd Floor)
- Business Leaders Plenary Session
- Political Leaders Plenary Session
18:00 Close of the Business Summit

Reserve your space now and include which workshop you would be interested in attending.

For registration, contact Ms. Danni You at dyou@europeanchamber.com.cn or 010-64622066 ext 54. For sponsorship opportunities, contact Ms. Betty Yin at byin@europeanchamber.com.cn or 010- 64622066 ext 23.

Urbanization Forum & EU-China Exhibition on urban development – 20~22 November 2013 – Beijing

In the framework of the China-EU Summit in November, the Urbanization Forum and the EU-China Exhibition on urban development will be held in Beijing. A total of 800 participants are expected to attend the forum, among which 500 from the Chinese side and 300 from the EU. Representatives from Chinese central government, local governments, businesses, experts and media are welcome. On the EU side, officials from the European Commission, representatives from EU missions in China and business community are welcome. The Forum plans to invite Premier Li Keqiang and leaders of the European Commission to deliver speeches at the opening ceremony. Several sub-fora will also be held. The Forum will take place at the Great Hall of the People in Beijing on November 20 and the Exhibition will be held on November 20~22 at the Beijing Exhibition Center.

For more information, contact the Flanders-China Chamber of Commerce at info@flanders-china.be

Documentary and dinner: “A bite of China” – 21 November 2013 – Brussels

Viewing of documentary and dinner “A bite of China” on Thursday, 21 November 2013 at 18:30 h. at Hotel Silken Berlaymont, Boulevard Charlemagne 11, 1000 Brussels.

It is a documentary series introducing the story behind the different flavors and foods of China. Importance is given to the variety of spices and natural ingredients that people use in order to create those magnificent dishes which are part of the culinary richness of the country. A dinner will follow the projection based on the dishes of the documentary.

More information at: http://www.lamourfood.be/

Province of West-Flanders Networking Event China – 29 November 2013 – Brugge

The Province of West-Flanders is organizing a networking event on Friday, November 29, 2013 at the Confucius Instituut – Howest, Sint Jorisstraat 71 in Brugge. The Province of West-Flanders is stimulating international internships, studies and research of students and lecturers at West-Flanders institutes of higher learning Howest and VIVES, Ghent University – Campus Kortrijk, KU Louvain Kulab and Kulak; also to China. The Province is organizing the networking event to strengthen the network between companies of West-Flanders active in China, the aforementioned institutes and the student interns.

Programme:

19:00 h.	Welcome and introduction of the Confucius Institute by Mr Lode Degeyter, General Director Howest
19:10 h.	Introduction to the international strategy for higher education of the Province of West-Flanders by Mr Jean de Bethune, Vice Governor
19:25 h.	Studying in China by Mr Glenn Andries (Howest) – studying at Gongshang University (Hangzhou)
19:40 h.	Internship in China by Mr Hannes Dekeyser (VIVES) – Travelling Link Marketing (Beijing) and Mr Zeger Sierens (KU Leuven Kulab) – research at the Zhejiang University of Science and Technology (Hangzhou)
20:00 h.	Why companies are accepting internships in China by Mr Guy Verrue, Beaulieu International Group
20:15 h.	Network drink

The networking drink is an opportunity for all participants to get in touch. This is an unique opportunity for institutes of higher learning to get to know dynamic companies from West-Flanders which are active in China, and offers and introduction to the companies of the educational opportunities and innovative research of West-Flanders knowledge institutes. Former interns will be happy to exchange experiences with students who will be interns in 2014.

Info and registration by 25 November 2013: Kristien Vandamme, Provinciebestuur West-Vlaanderen, T: 050-403359, E: kristien.vandamme@west-vlaanderen.be

Interactive and inspiring panel discussion: China, a sea of opportunities also as export market – 5 December 2013, 19h00 – Groot-Bijgaarden

UNIZO International and Flanders Investment & Trade (FIT), supported by the Flanders-China Chamber of Commerce (FCCC) and BCECC, are organizing an interactive and inspiring panel discussion on opportunities in China as an export market. The event will be held on December 5, 2013 at the Salons Waerboom, Jozef Mertensstraat 140, 1702 Groot-Bijgaarden.

During the panel discussion, fellow entrepreneurs will inspire you with their Chinese experience. Why did they go to China? How did they take the first steps? What are the mistakes they committed? What differences are there in this large country? The discussion will provide crucial and practical information.

Programme:

19h00	Registration
19h30	Welcome by Mr. Gijs Kooken Attaché, UNIZO International
19h35	“Efficient communication with China” by Mr. Wim Polet, Director of the Confucius Institute
20h05	“Interactive entrepreneurs discussion: China, a sea of opportunities also as export market”, moderated by Mrs. Annemarie Van de Walle, Advisor IO, UNIZO International • Philippe D'heygere, President, Lapauw International • Filip Goossens, Sales Director BeLux, DHL Express • Stefan Verheyen, CEO, Dôme Deco • Marc Evrard, Market Development, Belgische Fruitveiling • Chantal Saelen, Managing Director, Moderna Products
21h10	“How to get lucky on the Chinese market” by Mr. Dirk Van Steerteghem, Department head International Entrepreneurship, Flanders Investment & Trade
21h25	Q&A
21h35	Conclusion and networking reception

Registration: free for members of UNIZO, FCCC, BCECC, non-members: €30 excl. VTA.
Register at http://www.unizo.be/internationaal/viewobj.jsp?id=415578

Group booth at “Domotex Asia/Chinafloor – Shanghai” – 25~27 March 2014 – Shanghai

This exhibition is already for many years the most important one on flooring in the Far East. Companies can present themselves at the booth in the Flemish pavilion, organized by FIT in cooperation with “Fedustria – Interieurtextiel”. More information is available at the website of Flanders Investment and Trade. Registration by 13 November 2013.

In 2103, more than 1,100 companies from 36 countries participated in the exhibition, which received 42,165 visitors on 130.000 m² of exhibition space in 10 halls. 42,165 professional visitors attended the exhibition in 2013 (up 5.8% on 2012), mainly from China (73%) and overseas territories (27% from 107 countries). In the coming 15 years, China will build 40 billion square meters, equal to 10 times New York City. China's urban middle class is expected to number 612 million people by 2025, offering numerous opportunities to the flooring sector.

PAST EVENTS

Doing business with China for SMEs – 7 November 2013 – Gent

The Flanders-China Chamber of Commerce (FCCC) and VOKA East Flanders organized the conference: “Doing business with China for SME’s” on 7 November at the Voka Box in Gent.

During this event, highly experienced experts and business leaders shared their knowledge and expertise based on their achievements in China. The speakers included Mrs Sari Depreeuw, Senior Associate, Dewolf & Partners, Brussels Office and Mrs Ava Tu, Associate, De Wolf & Partners, Shanghai; Mrs. An Lettens, Tax Manager, Moore Stephens Verschelden; Mrs. Kristina Koehler, China Director, Klako Group; and Mr. Patrick Keereman, CEO, Managing Director Nuscience. The event was concluded by a Q&A session and a networking reception. Participants to the conference receive the publication “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 on their way to success in the largest and most challenging market on earth.

This event was organized with the support of Flanders Investment & Trade.

IPR China and IPR Asean Conference – 29 October 2013 – Agoria, Brussels

Agoria, in cooperation with the Flanders-China Chamber of Commerce (FCCC), organized an IPR Conference on 29 October 2013 in Brussels. The conference was held in cooperation with FIT, BIE, AWEX, BCECC, FCCC, Belgian Chambers, CCIBW, CCIBV and EU China IPR SME Helpdesk.

The conference provided updated information on general IPR protection in China plus a focus on trademark registration, protection and litigation in China, as well as information on how to protect IPR in China and in Asean countries, manage intellectual assets and use the Chinese and Asean IP systems to enforce IPR rights effectively. The testimonial speakers shared their experiences of IP protection and enforcement in China, and gave practical tips on achieving the results required to do business effectively in China. An info folder was also distributed. Following a welcome word on behalf of all organizers by Francis Walschot, Director Regulations & Standardization, Agoria, speakers included Simon Cheetham and Joao Miranda de Sousa, European Commission IPR China SME Helpdesk experts; Fred Liu, Lawyer, Barco China; and Marc Messely, Group Industrial Property Manager, Bekaert. René Branders, President of Agoria International IPR Work Group, made the closing remarks. The event was concluded by a networking drink.

Lunch session: “New trends in China sourcing: Evolution and Practical Tips” – October 21, 2013 – Kortrijk

The Flanders-China Chamber of Commerce (FCCC) and VOKA West-Flanders organized a lunch session “New trends in China sourcing: Evolution and Practical Tips” on October 21 at Voka in Kortrijk. Guest speaker was Mr Etienne Charlier, Managing Director, procurAsia.

The China industrial context has drastically changed over the last 10 years. The combination of higher manufacturing costs and a more developed industry has serious impact on sourcing. In his presentation, Etienne Charlier presented this main evolution and highlighted the new strength of the country for companies looking for outsourcing manufacturing or sourcing parts and systems. He also gave practical advice and tips for people who want to learn more about how to evaluate Chinese partners, what product to source from China, and how to manage suppliers you buy from.

Meeting with Zhaoqing delegation – 16 October 2013 – Brussels

On 16 October, the Flanders-China Chamber of Commerce, Mrs Gwenn Sonck, Executive Director, participated in a meeting with a high-level delegation of Zhaoqing City, located in Guangdong Province. The Mayor of Zhaoqing city and his delegation were invited by the EU-China Friendship Association of the European Parliament. The aim was to promote Zhaoqing to foreign investors.

To date, the city has attracted 1,300 foreign-funded businesses and now has a committed foreign investment of USD8.88 billion. Overseas businesses with facilities in the city now include Wal-Mart and Leggett & Platt from the United States, Honda and Toyo Aluminum from Japan, SK and Hyundai from South Korea, as well as Asia Aluminum from Hong Kong and ABB from Switzerland. Neighboring Guangzhou and Foshan to the east and the Guangxi Zhuang autonomous region to the west, Zhaoqing has both rich natural resources and considerable allure for tourists. The city has also nurtured a number of key industries, including electronics and information technology, biomedicine, foodstuff and beverages, metal processing and automobile components. As a result, Zhaoqing has become one of the nation's most important centers for the electronics and IT industry, the die-casting industry and the building and hardware industries. Its tourism, real estate, commerce and logistics sectors have also demonstrated consistent growth.

More information, an investment guide and contact details can be obtained at the FCCC secretariat: info@flanders-china.be.

China Market Entry: “Challenges and Successes” – 14 October 2013 – Ghent

The Flanders-China Chamber of Commerce organized a conference: China Market Entry: “Challenges and Successes” on 14 October 2013 at the International Club of Flanders in Ghent. Highly experienced experts and business leaders shared their knowledge and expertise based on their achievements in China. Mr Howard Zhu, Managing Director CPM China/Competence@ talked about how development needs are different in the Chinese labor market. Mr Maarten Michielssens, CEO, Econation; Mr Filip Goris, Regional Manager Asia, Recticel; and Mr Lieven Danneels, CEO, Televic; introduced practical experiences on doing business in China. The event was concluded by a question and answer session and a networking reception. Participants received the publication “FCCC Members’ Portraits in China” with 17 portraits of member companies active in China. The event was organized with the support of Flanders Investment & Trade.

PUBLICATIONS

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

See FCCC Members' Portraits on the FCCC website.

EXPAT CORNER

Foreigners who disobey courts could be barred from leaving

Foreigners who fail to comply with all court rulings face being banned from leaving China, with information about them disclosed online, court officials say. The Supreme People's Court published a blacklist of 31,259 people who have refused to make court-ordered payments and failed to comply with rulings. Five of them are foreigners. China has signed bilateral agreements on implementing civil and commercial judgments with only a few countries, so the most effective way to push overseas debtors to comply with Chinese verdicts is to prevent them from leaving the country. The new restriction covers all breaches of court orders, not just debt repayments. Cheng Lei, Associate Law Professor at Renmin University of China, said the blacklist can help build a “credit system” in China, a task also requiring financial departments and government administrations to share their data. The Supreme People's Court will share a blacklist of dishonest debtors with more banks and enterprises. After the blacklist was posted on the court's website, 1,045 defaulters paid off debts, said Sun Jungong, Spokesman of the Court. Under current laws, it can take up to five years before their good credit record is restored, he said.

East coast cities most popular among expats

A new survey by the Beijing magazine International Talent Monthly and the China Association for International Exchange of Personnel shows that inland areas still have a long way to go in attracting professionals from overseas. All 10 of the cities considered the most attractive by expatriates are in eastern China: Shanghai, Beijing, Tianjin, Guangzhou, Shenzhen, Xiamen, Nanjing, Suzhou, Hangzhou and Qingdao. About 72,000 expatriates and English-speakers took part in this year's survey through questionnaires or by voting on the China Daily website. Shanghai beat 29 rival cities in the survey with the highest recognition in terms of working and living environment, an expatriate-friendly policy, and administrative capacity. Although Shanghai and Beijing scored the highest points overall, they scored the lowest on the environment. About 550,000 foreigners were working in China last year, the State Administration of Foreign Experts Affairs said. A survey released in October by HSBC that polled 7,000 expatriates in 37 countries and regions found that China is the favorite destination for expatriates this year. Nearly 70% of respondents to this survey said they moved to China for better job opportunities.

- China needs to develop better policies to attract professionals from abroad to work in Chinese companies, helping to power the shift from “Made in China” to “Created in China”, according to experts. “There are so many companies in China that need global talent, but there are only a few thousand available in the Chinese market,” said Wang Huiyao, Director General of the Center for China and Globalization. According to his research, China needs 75,000 executive managers with global experience in the next five to 10 years, but there are only 3,000 to 5,000 people in the local market who meet the necessary criteria. The fields most in need of professional talent from abroad include hi-tech industries, energy/natural resources, healthcare and life sciences, according to the 2013 Executive Search Industry Global Outlook Report by the Association of Executive Search Consultants.

FINANCE

Bank of China’s cross-border yuan settlements on the rise

Cross-border yuan settlements by the Bank of China (BOC) increased more than 50% year-on-year during the first nine months of 2013, faster than the nation's 7.7% trade growth, according to the bank's Cross-border RMB Index (CRI). The index has three inputs: yuan outflows, transactions overseas and yuan inflows. The bank's cross-border yuan settlements reached CNY2.67 trillion from January to September, up 56% year-on-year and more than the full-year value for 2012. “Cross-border yuan settlement has become an increasingly important part of the bank's international business portfolio,” Vice President Chen Siqing said. “We continue to take the lead in cross-border yuan settlement among domestic banks.” BOC's cross-border yuan settlements account for about one-third of the market. The bank has settled CNY7.2 trillion in cross-border transactions since the pilot program was launched in 2009, the largest settlement value among domestic participants. BOC's branch in Hong Kong, which is home to the biggest offshore yuan market, recorded 36% growth in its cross-border yuan settlements in the first three quarters to CNY2.6 trillion. Cross-border yuan settlement by BOC's London branch stood at CNY60 billion in the first nine months, up 50%.

- Shang Fulin, Chairman of the China Banking Regulatory Commission (CBRC), pledged to work harder to head off the risks of a possible rise in non-performing loans, in particular from industries plagued by overcapacity. Shang said at a meeting with bank executives in Fujian province that banks must seek various channels to safely dispose of bad loans. The China Banking Association said in a report that bad loans at Chinese banks could rise by between CNY70 billion and CNY100 billion this year partly because of delinquency risks from industries plagued by overcapacity, such as the steel, photovoltaic and shipping sectors.
- The People's Bank of China (PBOC) is preparing to reverse its liquidity strategy over the next two months, traders say, draining short-term cash from money markets to suppress resurgent inflation while leaving other rates in place to avoid cramping growth. The change will test Beijing's strategy of relying entirely on short-term tweaks to the money supply without changes to long-term rates, which so far has shown mixed results.
- China will provide CNY1.8 billion in concessionary loans to Portuguese-speaking countries in Asia and Africa over the next three years, Chinese Vice Premier Wang Yang told a forum between China and Portuguese-speaking countries in the former Portuguese territory of Macao. Funding priority would go towards supporting infrastructure facilities and “production projects”. Countries attending the forum include Brazil, Portugal, East Timor and Guinea-Bissau.
- China Development Bank (CDB) plans to sell asset-backed securities (ABS) backed by an CNY8 billion loan to the state railway operator this month. The bond-like

securities would mature in June 2017. Policymakers see securitization as a tool to shift risk away from the banking system to reduce the chances of a financial crisis as economic growth slows and the level of bad loans rises. According to the sources, China Credit Rating has given the railway ABS a rating of AAA, based on the credibility of the borrower, China Railway Corp.

- China's first online insurer, Zhong An Online P&C Insurance Co, has opened for business, embracing e-commerce, mobile payment and financing guarantees for internet businesses and users. “The company is not simply about selling insurance products online, but aims to provide a safer environment for internet users,” said Henry Yin, CEO of Zhong An. The insurer will launch its first product within a month. The insurer is not allowed to open outlets beyond its headquarters in Shanghai and cannot offer traditional insurance products such as car insurance. Zhong An’s shareholders include Ping An Insurance Group, Alibaba and Tencent.
- The Dalian Commodity Exchange has started trading chicken egg futures, China’s first livestock or fresh agricultural product futures. The new product will trade in five-ton lots. Analysts said one challenge will be to guarantee quality and freshness of the eggs for buyers who take delivery. “There’s plenty of interest,” said Gao Yanbin, Analyst at Jinshi Futures. “Farmers and feed companies hope this kind of product will give them corresponding protection from spot prices.”
- The Shanghai Office of the China Banking Regulatory Commission (CBRC) has approved the setting-up of a sub-branch of Deutsche Bank (China), which is expected to offer corporate banking services that will focus on cross-border transactions for corporations and financial institutions. Citigroup, DBS, HSBC, Bank of East Asia and Hang Seng Bank have also received approval to start operations in the FTZ.
- The China Securities Regulatory Commission (CSRC) and China Banking Regulatory Commission (CBRC) have drafted guidelines that will allow domestic commercial banks to issue corporate bonds to replenish their capital. Qualified issuers under the guidelines are Chinese commercial banks listed on the Shenzhen or Shanghai stock exchanges, as well as those listed on foreign stock exchanges, and those that are applying for domestic initial public offerings (IPOs). Twelve listed banks have already announced plans to raise about CNY425 billion largely through bond issues.
- China will provide a concessionary loan of up to USD1 billion to Pacific island nations to support construction projects, Vice Premier Wang Yang told a forum with Pacific island nations in Guangzhou. China will also build medical facilities in the region and send medical teams as well as invest in green energy projects. The meeting was attended by representatives from Micronesia, Samoa, Papua New Guinea, Vanuatu, the Cook Islands, Tonga, Niue and Fiji.
- The People's Bank of China (PBOC) said loans outstanding under its short-term lending facility dropped to CNY386 billion at the end of September from CNY410 billion a month earlier. The central bank launched the lending facility in January, enabling commercial banks to borrow from it for one to three months. The mechanism is modeled after the United States Federal Reserve's discount window and the European central bank's marginal lending facility. Until now the bank published the data quarterly, but will now publish them more frequently to keep the markets informed.
- Doha Bank, the third-largest commercial bank in Qatar by assets, seeks to triple its lending in China as a prelude to possible tie-ups with banking partners on the mainland and in Hong Kong. Chief Executive Raghavan Seetharaman said he expected Doha Bank's lending on the mainland and Hong Kong to grow from USD350 million currently to USD1 billion in three years, and believes it could soar further to USD3 billion if economic growth on the mainland is maintained at 7.5% or above for five years.
- Banks in China lent less than expected in October. New yuan lending totaled CNY506.1 billion last month, up CNY700 million from October last year, the People’s Bank of China (PBOC) said, below the CNY787 billion in September and short of analysts’ expectations of CNY600 billion. Total social financing fell by a third from a year earlier to CNY856.4 billion. The M2 money supply increased 14.3% year-on-year to CNY107 trillion at the end of October, the PBOC said.

FOREIGN INVESTMENT

Chinese investment in U.S. up, down in Europe

Chinese firms spent USD7.5 billion on 10 acquisitions and eight greenfield projects in the U.S. in the third quarter, according to Rhodium Group, a U.S. consultancy – the highest quarterly investment in the country by Chinese investors. Investment in the second quarter totaled USD2.5 billion and for the whole of last year amounted to USD6.7 billion. In the first nine months, Chinese firms spent USD12.2 billion on 55 greenfield projects and acquisitions in the U.S., well on the way to a record for Chinese foreign direct investment (FDI) in the U.S., Rhodium said. After two years of being ranked the top destination for Chinese outbound mergers and acquisitions (M&As), investments in Europe declined to USD2.7 billion in the first half from USD6.9 billion a year earlier, said André Loesekrug-Pietri, President of A Capital, an investment firm focusing on China-Europe investments. Chinese buyers invested more than GBP6 billion in Britain last year, said Graham Robinson, a global business consultant of Pinsent Masons, a British law firm. Chinese investors were eyeing a growing list at infrastructure projects, including Thames Tideway, a GBP4.2 billion project to improve London's sewer network, he said.

Easing of company registration requirements expected

Foreign companies in China should see an easing of company registration requirements like the ones their Chinese counterparts enjoy, an official said. According to the "national treatment" principle, when the government lowered the threshold for business startups, foreign businesses in China should receive the same treatment, Zhang Mao, Director of the State Administration of Industry and Commerce (SAIC), said at a news conference in Beijing. On October 25 the Chinese government decided to streamline the company registration process in China in an effort to adhere to international standards and encourage private investment. The minimum registered capital requirement of CNY30,000 to start a limited liability company will be scrapped, as well as the CNY100,000 requirement for a one-person limited liability company, and the CNY5 million requirement for an incorporated company. There also will be no more limitations on the proportion and duration of the paid-in capital, and this will no longer be a matter of industry and commerce registration. Shareholders will determine the amount and duration of registered capital at their own discretion but be held liable to the authenticity and legitimacy of their payment of investment. As of September, the number of new foreign companies set up in China this year reached 16,351, which was a drop of 9.29% over the same period of last year, data from the Ministry of Commerce (MOFCOM) showed. "In the future, we will adhere to a 'low threshold and strict regulation' model," Zhang Mao said. Prior to the announcement, a trial of streamlining company registration took place in Shenzhen and Zhuhai, two cities in Guangdong province. According to the State Administration of Industry and Commerce (SAIC), by the end of September, the number of new market entities, including individual proprietorship, soared by 98.5% in Shenzhen and 52.5% in Zhuhai compared with the figures from the end of 2012.

- Coca-Cola Co said it will invest over USD4 billion in China and build new plants between 2015 and 2017. The investment will add to the USD4 billion that the world's largest drinks maker has earmarked for China in 2012-2014. "The beverage market is quite competitive right now, and Coke is going to have to do a lot more acquisitions rather than growing through organic growth," said Shaun Rein, Shanghai-based Managing Director of China Market Research Group. Local player JDB's Red Can herbal tea is out-selling Coke in many provinces in China at double the price. Coca-Cola is still the leading drinks maker in China with a 16% market share by total volume in 2012.
- The growth rate of foreign direct investment (FDI) is slowing. According to HSBC, China attracted FDI at a rate of 37% annually in the 1990s before it slowed to 10.6% in the following decade. In the January-September period this year, foreign direct investment grew just 6%. A survey conducted by the American Chamber of Commerce in China showed last month that the number of U.S. companies that believe China's investment environment is improving dropped from a year earlier, from 43% to 28%. The European Chamber of Commerce in China urged China's government to improve the investment environment through "fair and transparent enforcement" of laws.

FOREIGN TRADE

Canton Fair trade volume lowest since 2009

The organizers of the China Import and Export Fair, also known as the Canton Fair, reported the lowest export volume since 2009, down 3% year-on-year to CNY194.61 billion and down 10.9% from the figure reported at the fair's spring session this year. First held in 1957, the biannual event is the largest trade fair in China. This year, the fair calculated exports in yuan for the first time, a move to promote the currency's internationalization. The number of overseas buyers also dropped by 6.5% from the previous spring session to 189,646. Transactions with buyers from the European Union dropped 8.3%, while those with buyers from BRICS members dropped 17.2% from the previous session, organizers said. Still, Chinese companies are upgrading their brands. Transactions in the brand exhibition zone contributed a higher percentage to the total turnover during the fair's fall session.

Private companies play larger role in foreign trade

Since China's accession to the World Trade Organization (WTO) in 2001, private enterprises have played an increasingly significant role in foreign trade. In the January-September period, private companies' import-export trade totaled USD1.02 trillion, up 23.3% year-on-year – much faster than the 7.7% growth of overall trade. Private companies accounted for one-third of the country's total foreign trade during the period, according to the General Administration of Customs (GAC). "Compared with state-owned enterprises, which are usually huge companies with a complex internal structure, private enterprises react more swiftly to market changes", said Customs Administration Spokesman Zheng Yuesheng. Still, private companies don't get the same benefits from government policies, such as administrative approval and trade facilitation measures. They are also limited in terms of access to capital, information and human resources. "The new leadership should further deepen reforms by cutting the costs of trade and giving more support to private enterprises, which will sustain China's trade growth in the long run," said Chen Hufei, a researcher at Bank of Communications, as reported by the China Daily.

October growth beats expectations

China's exports rose 5.6% in October from a year earlier to USD185.4 billion, reversing the 0.3% decline in September, the General Administration of Customs (GAC) said. Imports expanded 7.6% to USD154.3 billion, up from an increase of 7.4% a month earlier. They created a trade surplus of USD31.1 billion, far above September's figure of USD15.2 billion. By destination, exports to major advanced economies all grew. Shipments to the U.S. rose 8.1% year-on-year in October, faster than the 4.2% in September. Exports to the European Union expanded 12.7% from a drop of 1%, and those to the ASEAN countries added 10.7% from 9.8%. By product, exports of mechanical and electrical goods grew by 3.7% last month from the loss of 0.7% a month earlier. Exports of some traditional labor-intensive sectors picked up rapidly, including footwear, lamps and suitcases, as external demand swelled. The surge in the trade surplus may however lead to renewed pressure for appreciation of the yuan. But Shen Jianguang, Analyst with Mizuho Securities Asia, said the outlook for exports remained challenging, as there was still no robust global demand recovery and production costs kept rising. Export contracts signed at the recent China Import and Export Fair in Guangzhou fell to their lowest in four years. In the first 10 months, China's foreign trade expanded 7.6% from a year earlier to USD3.39 trillion, with a surplus of USD200.4 billion, the Shanghai Daily reports.

U.S. food safety law to hit food trade with China

A new food safety law will pose huge challenges for China's exports to the United States, speakers said at a conference on food and drug laws in Beijing. America's Food Safety Modernization Act would probably take effect by 2016, said Erik Lieberman, Counsel for the Food Marketing Institute, a U.S. trade association representing supermarkets. "In China, it's going to be a big challenge, especially for small producers. Exporters of food to the U.S. will face rigorous requirements". The U.S. imports more than USD100 billion of food every year. David Ettinger, a lawyer at Keller and Heckman, said the act was the most important piece of legislation for the U.S. food industry in the past 70 years. The U.S. is China's largest agricultural trading partner, with China the largest export market for U.S. products and the U.S. the second-largest market for those from China, the U.S. Department of Agriculture said in a report. Bilateral agricultural trade rose 17% to USD40 billion last year, with Chinese exports to the U.S. jumping 11% to USD10 billion, according to China Customs. Chinese food exports to the U.S. doubled from USD6.7 billion in 2006 to USD13 billion in 2010. Lieberman said the new food act would greatly expand the agency's authority over farms that exported to the U.S. “In five years, tens of thousands of foreign facilities will be inspected by the FDA,” Ettinger said. “If you don't want to let the FDA in, fine, but if you want to export your goods to the U.S., you have to.” David Acheson, Chief Executive of U.S. food and beverage consultancy the Acheson Group, said the FDA would not be able to check the vast number of Chinese farms and exporters, and would outsource part of the work to third-party auditors, the South China Morning Post reports.

- In the January-September period, China's overall trade rose 7.7% from a year earlier to USD3.06 trillion. Exports in the first nine months went up 8%, while imports rose 7.3%, said the General Administration of Customs.
- Scotland's exports to China increased 88% to GBP498 million in 2012, from GBP265 million in 2007. Among the products exported to China, food and livestock goods reflected the robust growth with an increase of 340% to a total of GBP19.5 million in recent years. Scottish salmon producers have fallen way behind their goal of increasing production by 60,000 tons, or 50%, by 2020 to help meet surging demand for the fish from China. Furthermore, 12 Chinese companies, including CNOOC, Sinopec, Bank of China, Lenovo Group and Hutchison Whampoa, have invested in Scotland.
- A new court for civil and commercial cases and a prosecutor’s office were set up in the Shanghai Pilot Free Trade Zone in the Pudong New Area. “We will select and train a team of experienced judges who are familiar with both domestic and international law to support the new court. They will also have an excellent command of English and a thorough knowledge of world trade rules,” Guo Jian, President of the Pudong New Area People’s Court, said.
- China is considering the introduction of international law in a big push to get free trade zones (FTZs) up and running, attract foreign companies, and promote the use of the yuan in global trade. It would also make the FTZs more competitive with Hong Kong. The zones might also introduce lower corporate tax rates.
- A proposal by Guangdong authorities to create a free trade zone (FTZ) covering Hong Kong, Macao and part of the Pearl River Delta (PRD) may take years to happen, sources say. The idea was first floated by Guangdong Party Secretary Hu Chunhua in September. It would be much bigger than the 28.78 square kilometer Shanghai FTZ. Ding Li, Economist at the Guangdong Academy of Social Science, suspected that the project had not yet been submitted to the central government.
- Taiwan signed a free trade deal with Singapore, its first with a Southeast Asian country, and just months after Taiwan struck a similar deal with New Zealand, its first with a country that has diplomatic ties with the mainland. Taiwan has been pursuing bilateral trade deals to prepare for joining proposed multinational free trade blocs such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). Singapore is Taiwan's fifth-largest trade partner and fourth-largest export market, with bilateral trade totaling USD28.2 billion in 2012.
- Imports of Spanish wines surged 40% year-on-year in China in the first half of the year, and it is now the third-biggest exporter of bottled wine to the market behind France and Australia. “The Chinese are now searching for wines other than from France because they are more educated about wines from other countries,” said Mabel Lai, a lecturer at the Hong Kong Wine Academy. French winemakers at the Hong Kong International Wine and Spirits Fair say increasing competition in the Chinese market is a good thing for the industry. France holds a roughly 50% share of the market.

HEALTH

More genetic tests for lung cancer needed

Fewer hospitals in China conduct genetic tests on lung cancer patients compared to Western countries, even though Asians are genetically more susceptible to the disease, Professor Tony Mok said at the 15th World Conference on Lung Cancer in Sydney. More than 30% of lung cancer cases in Asians could be attributed to mutated genes, compared with just 10% in Western countries. But, despite lung cancer being the No 1 killer disease in China, only 20% of lung cancer patients on the mainland and 60% in Hong Kong undergo a genetic test after being diagnosed with the illness, he said. The discrepancy means patients in China miss out on gene-targeted treatment that is more effective and has fewer side effects than conventional chemotherapy.

- Chinese police investigating allegations of widespread corrupt practices at GlaxoSmithKline (GSK) are likely to charge some of its Chinese executives but not the British drugmaker itself, legal and industry sources said. Police are also unlikely to lay criminal charges against Briton Mark Reilly, GSK's former head of China operations, the sources said. There will likely be big fines, but it's unlikely GSK will be thrown out of the country. GSK is facing accusations that it funneled up to CNY3 billion to travel agencies to facilitate bribes to doctors and officials to boost its drug sales.
- A new human case of H7N9 bird flu has been confirmed in Zhejiang province, the fourth in China in three weeks, but scientists said it was too early to know whether they represented a major outbreak. "We expect to continue to see a small number of sporadic cases. To date, there is no evidence of sustained human-to-human transmission," said Dr Bernhard Schwartlander, WHO Representative in China. Ben Cowling, Associate Professor at the University of Hong Kong's School of Public Health, said it was too early to say if there would be a major outbreak during the flu season this winter.

IPR PROTECTION

First video copyright arbitration center set up

The first video copyright arbitration center in China was recently founded in Xian. Dang Lei, Director of the Center, said the organization will provide services such as contract management, commercial negotiations and IP rights consultation. It will also set up fair, convenient and confidential conciliation procedures, as well as flexible arbitration proceedings, to promote the healthy and sustainable development of the nation's film and television industry.

- Wuhan was recently listed as one of the first 20 national pilot cities for patent insurance. Under the new policies, if a company buys the insurance provided by the People's Insurance Company of China (PICC), the government pays 70% of the premium. The city will also add insurance for patent agents as well as patent infringement insurance in the future.
- China Customs recently opened a large exhibition center to promote intellectual property protection in Yiwu city, China's major wholesale center. More than 200 counterfeit commodities seized by customs officials nationwide were displayed in the 500-square-meter center, ranging from motorcycles and freezers to needles and batteries.

MACRO-ECONOMY

NDRC to enforce reduction of overcapacity

The National Development and Reform Commission (NDRC) warned local leaders to stop ignoring orders to reduce overcapacity in industries including steel, cement, aluminum and glass. Those who still violate orders will be severely punished, the Commission warned. Industrial overcapacity could hurt Chinese banks if unprofitable companies default on debts. Cement manufacturers used only 71.9% of their capacity as of the end of last year, the steel industry used 72%, while the rate for glass manufacturers was 73.1%. The scale of overcapacity is unprecedented, the China Daily said, citing Zhu Hongren, Chief Engineer of the Ministry of Industry and Information Technology (MIIT). Beijing has tried to prod producers in many industries into mergers to reduce output, but lower-level officials in many areas prop up unprofitable local companies with rent-free land and other aid. In some places, the NDRC statement said, local leaders go through the motions of obeying orders to tear down older steel mills – but then replace them with bigger facilities.

- The HSBC China Services Business Activity Index, a gauge of operating conditions in private service companies, rose to 52.6 last month from September's 52.4, according to HSBC Holdings and consulting firm Markit. Qu Hongbin, Chief Economist for China at HSBC, said China's service sectors are improving broadly in the fourth quarter due to an increase in new business and employment. The component indices indicated new orders rose at the fastest rate since March.
- China needs to sustain economic growth of 7.2% to ensure a stable job market of 10 million new jobs a year, Premier Li Keqiang said in published remarks. That would cap the urban unemployment rate at about 4%, he said. The Chinese economy is set to grow 7.5% this year, its slowest pace in 23 years, as exports falter on fragile global demand. The central government has said the slowdown has been partly engineered to make room for retooling the economy to ensure future growth is cleaner, more sustainable, less dependent on heavy investment and more reliant on consumption.
- China, the second-biggest sugar consumer, may phase out a stockpiling program that boosted inventories to a record while failing to lift domestic prices. The effort cost the government almost USD3 billion in the past two years, according to Xinhu Futures. It might be partially replaced by direct subsidies to cane and beet farmers as early as the crop year beginning October 2014, said Zhao Lihua, Director at the Economy and Trade Division of the National Development and Reform Commission (NDRC). Stockpiles swelled to 6 million tons at the end of September, equivalent to nearly half of the country's output last year.
- China will have an equal number of large companies with annual revenues of more than USD1 billion as the United States and Canada by 2025, McKinsey & Co projected in a report. Almost 2,000 of the new companies with more than USD1 billion in revenues are likely to be based in China. "The long-established dominance of Western multinationals is about to be challenged," said Jonathan Woetzel, Director of the McKinsey Global Institute. Another study by U.S.-based consultant Booz & Co said there are now 75 Chinese companies among the top-1,000 global innovative enterprises.
- Growth in industrial output unexpectedly accelerated last month and inflation stayed below the government target. Production rose 10.3% from a year earlier, the National Bureau of Statistics (NBS) said. Inflation was a less-than-forecast 3.2%, but was still the highest in eight months. Producer prices fell 1.5%. October's retail sales growth was 13.3%.

MERGERS & ACQUISITIONS

Temasek, Hopu among buyers of stake in Yashili from Mengniu

Singapore state investor Temasek and China-focused private equity firm Hopu were among five investors buying a USD213 million stake in Yashili International after parent China Mengniu Dairy sold down shares to meet Hong Kong listing requirements. Temasek, through one of its Mauritius subsidiaries, Hopu and three individual investors agreed to buy 471.13 million shares of Yashili from Mengniu for HKD3.50 each, putting the total deal at HKD1.65 billion, the dairy companies said in a securities filing. Mengniu offered USD1.6 billion in June for all of Yashili, but it received offers for only 89.82% of Yashili's stock. That fell just short of a 90% threshold that would have enabled Mengniu to make a "compulsory acquisition" of the remaining shares and delist Yashili from the exchange. After the buyout offer closed in early August, Mengniu had to sell down its stake in Yashili to ensure the still-listed company met Hong Kong's public float requirements. Yashili applied for a three-month waiver to comply with the minimum public float of 23.42% in its case.

- China's top two online retailers of glasses announced a merger so that they can offer users "lower prices and better services." Kedee.com invested CNY52 million to acquire Eyesee.com. After the merger, Keedee will generate a revenue of CNY500 million, double the current level of about CNY260 million. The merger will also help Keedee to capture about 65% of China's online glasses retailing market, according to Ma Li, Chief Executive of Kedee. Kedee has over 8 million registered members nationwide and has several offline stores in Shanghai where users can have their eyesight tested.
- Premier Li Keqiang told local governments not to set up their own businesses. Local

authorities' direct involvement in companies and intervention in their operations could easily result in business monopolies and market barriers, Li added. the Chinese government is fighting local protectionism and aims to reduce the state's role in the economy, said Zhang Zhiwei, Chief China Economist at brokerage firm Nomura. Less involvement by local authorities would help lower local debt risk and resolve the problem of monopolies.

PETROCHEMICALS

Sinochem to raise oil purchases from Iraq

Sinochem will become one of Iraq's top oil buyers next year when it starts its first wholly-owned refinery. Iraq said China is seeking to increase purchases of its crude by more than two-thirds next year. Sinochem plans to use Iraqi crude for 40% of the capacity of the new refinery, replacing a preliminary agreement to use more expensive oil from Kuwait, Chinese traders said. "Kuwaiti crude is pricier than Iraqi oil, and it is non-tradable, making it less competitive," said a trading source with knowledge of the deal. Sinochem would still likely buy some crude from Kuwait, he said. Sinochem's 240,000 barrels-per-day (BPD) Quanzhou plant in Fujian province is expected to process about 100,000 BPD of Iraqi crude after completing test runs due to start next month. The firm may still need to honor, at least partially, a non-binding agreement inked in 2007 with Kuwait to buy 240,000 BPD Kuwaiti oil for the Quanzhou plant. One source estimated imports from Kuwait could be only about 22,000 BPD, less than a tenth of the preliminary deal. A Sinochem trading executive said that while Kuwaiti oil is what the refinery was designed for, economics would be the most important criterion when deciding which crude to use. For test runs, the Quanzhou plant will process sweet crude from West Africa – including 3 million barrels of Angolan Cabinda crude – before switching to lower-quality sour grades after entering normal operations, traders said. Sinochem is already buying some 200,000 BPD of Iraq's flagship crude Basra Light, mainly destined for Sinopec refineries. Sinopec will raise its Iraq term purchases next year after nearly doubling this year's volume to about 270,000 BPD, the South China Morning Post reports.

Natural gas supplies to industrial users restricted

China's natural gas suppliers Sinopec and PetroChina have begun to cut supplies to industrial consumers in a bid to make sure that homes and users of transport are not left short as demand surges over the winter. Chemical fertilizer makers and other industrial users are likely to bear the brunt of the latest efforts to ration scarce gas supplies, but they are also victims of a long-term strategy to discourage the use of gas as a feedstock. Sinopec will cut gas supplies to its own refineries. Sinopec also said it would raise commercial natural gas supplies by 10.5% to 7.583 billion cubic meters (BCM) in coming months to address the shortages, noting it had already boosted annual production capacity by four billion BCM this year. Sinopec and rival PetroChina have raised both production capacity and import volumes this year but still cannot meet demand after cities across China switched to natural gas in order to cut coal use and tackle air pollution. In response to the supply crisis, the National Development and Reform Commission (NDRC) said it would maximize natural gas supplies to residential and transport users by strictly controlling demand. Demand in the first three quarters of the year rose 13.5% to 120.8 BCM, while domestic production was increased by 9.2% to 86.3 BCM. The NDRC has banned the construction of gas-fired power plants in coal-rich regions such as Shanxi and Inner Mongolia, and also put restrictions on the use of gas as feedstock for chemical products such as synthetic ammonia. The government said that it "in principle would not allow any more natural gas-fired power plants to be built". China has also sought to use gas supply restrictions to help curb overcapacity in sectors such as glass making, fertilizers and porcelain. Some porcelain makers have switched to more expensive liquefied petroleum gas (LPG), the South China Morning Post reports.

China's first floating liquefied natural gas (LNG) import terminal is expected to start operation next month in Tianjin. The first phase of the floating LNG project, costing CNY3.3 billion, is designed to have an annual receiving capacity of 2.2 million tons or 3.0 BCM, CNOOC has said. The second phase of the project will involve the construction of a conventional onshore LNG terminal, with a receiving capacity of no less than 6.0 million tons a year. CNOOC received last month its first cargo of LNG from Qatar at its new 3.5 million ton-per-year terminal at Zhuhai in Guangdong. The Zhuhai terminal, CNOOC's fifth, brings its total annual receiving capacity to 21.3 million tons.

- China National Offshore Oil Corp (CNOOC) signed a contract worth GBP150,000 with Scotland's SafeHouse Habitats to boost the Chinese firm's safety conditions on offshore platforms. Scotland's First Minister Alex Salmond, who was visiting China, said that CNOOC is now the second-largest producer of oil and gas in Scotland.

REAL ESTATE

Property investors warn of rushing into tier-3 cities

Despite growing interest from global luxury brands in opening shops in tier-3 cities, property investors warned against the risks of oversupply, insufficient infrastructure and price-sensitive consumers in smaller urban areas. A recent Taobao report showed that more than 30 million shoppers from smaller towns and counties spent an average of CNY6,000 at the online shopping website last year, compared with CNY5,000 by shoppers from larger tier-1 and tier-2 cities. The spending data inspired international brands such as Gucci and LV to look beyond Beijing and Shanghai and open shops in cities unknown to them in the past, such as Shijiazhuang, Changzhou and Lanzhou. However, retail investors at a property forum sounded a cautious note. “My message for people looking at tier-3 cities is that it will take time, and patience is required,” said Stuart Jackson, COO of InfraRed NF Investment Advisers. He added that it would take seven to 10 years for a retail project to mature in tier-3 cities. It took his firm five years to see a 15% rise in rents for a project in Zhongguancun, one of the central business centers in Beijing. George Hongchoy, Chief Executive of Link Management, said retail markets in tier-2 and tier-3 cities were in the early stages of development, and suburban areas in tier-1 cities made more sense.

- A 824-square-meter duplex at Tomson Riviera became the most costly apartment in Shanghai when it was sold for CNY150 million. The price beat the city’s earlier record for a home which was set in August 2011 when a 850-sq-m villa in Pudong’s Dongjiao was sold for CNY135 million.
- The transaction volume of existing homes bought in Shanghai in October fell by double digits as buying momentum cooled while the average price also dropped slightly. Purchases of pre-owned houses shed 11.6% from September to 23,174 units last month while their average cost dipped 0.5% month-on-month to CNY19,074 per square meter, according to Shanghai Deovolente Realty Co. Downtown Huangpu District led with a sharp drop of 38.4% in transaction volume. At the end of August, the stock of existing homes in the city totaled 131,800 units but it has since fallen to 126,300 units.
- Shanghai announced new measures designed to cool down the local housing market. They include raising the required down payment on a second property from 60% to 70%. The second change is to raise the required number of years of social security payments for families that don't hold Shanghai permanent residency from at least one year to two years before they can buy homes. Shanghai will also expand its land supply for housing construction by 30%, or 1,000 hectares, this year.
- China Investment Corp (CIC) is set to buy Chiswick Park, a west London office development, from U.S. private equity group Blackstone for about GBP800 million. The talks are at an advanced stage and a deal could be finalized before the end of November. On its 133,546-square meter site, Chiswick Park leases out office space to companies including Qualcomm, Tullow Oil and Ranbaxy. CIC already bought Deutsche Bank’s City of London headquarters last year.

RETAIL

CNY35 billion worth of goods sold on Single’s Day

Chinese shoppers spent CNY35 billion online as they took advantage of discounts offered on Single’s Day, November 11. Some items sold out minutes after the buying spree began at midnight. In under nine hours, turnover at Alibaba Group’s Tmall and Taobao sites had exceeded that of last year’s Cyber Monday, a similar event in the United States. The line between online and offline retailers is gradually blurring, said Jason Yu, General Manager of market research firm Kantar Worldpanel China. “The offline retail presence of apparel vendors such as Uniqlo is an indispensable part of the massive amount of sales of its online unit, and retailers need to create a multi-channel shopping experience for consumers,” Yu said. A

Kantar Worldpanel study showed that up to a third of consumers are spending their money online this year instead of in traditional stores, Yu said. The study found that of CNY1.1 trillion in sales of fast moving consumer goods in the 52 weeks to September 6 this year, expenditure through e-commerce channels jumped 45% from a year earlier, much faster than the 9% annual growth in hypermarkets and supermarket chains. In an online survey by CTR Market Research Co of 7,117 web users, 73% said they would buy from online vendors this year and spend an average of CNY1,078, CNY68 more than last year. In the past 12 months, online shoppers spent an average of CNY4,185, according to media investment firm GroupM. At the end of last year, China had 242 million online shoppers, 24.8% more than the year before. They spent nearly CNY1.26 trillion in 2012, up 66.5% from 2011, according to the China Internet Network Information Center, as reported by the Shanghai Daily.

- Szitic Commercial Property Co, one of China's largest shopping mall developers and operators, said The Blackstone Group and ICBC International would take stakes in the company of 40% and 6% respectively. The value of the transaction wasn't disclosed. Foreign investors put CNY15.7 billion into real estate in the third quarter, up 46.7% quarter-on-quarter. Mid-range department stores however face mounting operational challenges from the dual pressures of shopping malls and the increasing popularity of e-commerce. Analysts anticipate more operational failures and withdrawals from retail property in some cities as supply escalates.
- Nongfu Spring, a leading seller of bottled drinking water, has filed a complaint against the Beijing Times for publishing “false reports” about its water quality. The Hangzhou, Zhejiang-based company says it was retaliating against a series of 76 incriminating reports.
- Members of the China Furniture Association Market Committee, a group of nineteen of China’s large-scale furniture malls, including Redstar Macalline, JSWB and Ayd, are proposing new regulations to counter e-commerce providers. “We cannot let furniture malls gradually transform into offline storerooms that simply exist to allow customers the chance to test out products in person before buying them online,” the memo read. “When manufacturers come up with sales and promotions for e-commerce sites, we request that they inform physical retailers and other key partners as well so that prices may be adjusted both online and in stores at the same time.”

SCIENCE & TECHNOLOGY

Number of Chinese students in the U.S. increases

China continues to send more students to universities and colleges in the United States than any other nation. During the 2012/13 academic year, Chinese student enrollments increased 21.4% annually to more than 235,000, according to the 2013 Open Doors Report on International Educational Exchange from the Institute of International Education. Of all international students in the U.S., 28.7% were from China. The rise in the number of undergraduate students from China was especially dramatic, increasing by 26% from the previous year. “As more families in China are becoming wealthy, an increasing number of Chinese parents can afford the high tuition and living expenses for their children to study for four years in the U.S.,” said Gao Yanding, Founder of Yanding USChina Education, a consulting institute for Chinese students in the U.S. A breakdown of the figures shows that 39.8% of Chinese students in the U.S. were undergraduates, while 43.9% were graduates. The remainder included 10.2% in optional practical training, a U.S. policy for international students on F-1 visas to work in the U.S. for one year after graduation to get practical training to complement their field of study.

- English proficiency scores are improving among Chinese adults, but still lag behind many other Asian countries, according to a new survey by EF Education First, a language training company. Globally, China ranked 34th out of 60 countries and regions in the study, up two spots from last year. Sweden came first in the EF survey, followed by Norway and the Netherlands. Malaysia has the highest English proficiency in Asia.
- Beijing's Zhongguancun has been selected for a third time to host the annual conference of the International Association of Science Parks in 2015. Zhongguancun officials said the conference will attract more than 1,000 delegates from around the

world, adding that industrial alliances and associations are “more than welcome” to participate, because they will lead to cooperation among companies on a much larger scale. The revenues of foreign-funded companies in Zhongguancun increased from CNY403.6 billion in 2007 to CNY781 billion in 2012.

- Places on graduate programs at universities in Hong Kong are increasingly being filled by mainlanders. Some 99% of students enrolled in the Chinese University's Master of Science in Finance are from the mainland. There were 2,000 applications for the most recent intake of the program, which costs HKD220,000. One draw is that non-local graduates can stay in the city for one year to look for work and stand to gain permanent residency after seven years. Mainland students make up the vast majority of research postgraduate students in the city, numbering 4,586 in 2012-2013, up from 4,298 in 2011-2012, out of a total of fewer than 7,000.

STOCK MARKETS

Ban on new IPOs to be lifted

China may lift a 12-month ban on new share sales this year, according to Cheng Boming, President of Citic Securities, the country's largest brokerage. Regulators suspended initial public offerings (IPOs) in October last year and pledged not to lift the ban until new rules were introduced to curb misconduct and boost protection for investors. The China Securities Regulatory Commission (CSRC) published draft regulations calling for penalties against banks and their employees for transgressions such as including inaccurate information in a prospectus and poor risk disclosure. Of the 622 companies that have submitted self-inspection reports, 268 have withdrawn their listing applications. China has not had a new listing since October 11 last year, when Org Packaging and Haixin Foods started trading in Shenzhen. Smaller company stocks might be most affected when the ban was lifted, said Zhang Yanbing, Analyst at Zheshang Securities in Shanghai. The restart of listings would be a “big negative” for the market, Zhang said. “It will exacerbate the fear of tight liquidity. Small-cap companies, which are already performing badly because of the high valuations, will be hit because money would be diverted to the new companies.” The market freeze has been a blow to investment banks, whose revenue had soared as China became the world's biggest market for listings in 2010, with a record USD71 billion raised, surpassing the United States' USD54 billion that year and Hong Kong's USD53 billion. Fundraising from initial share sales in China fell to USD40 billion in 2011 and USD14.4 billion last year.

New exchange-traded fund tracks Chinese shares

Harvest Global Investments has launched a U.S. exchange-traded fund (ETF) that tracks shares on the Chinese mainland, offering overseas investors a new way to access the country’s securities market. Joining with Deutsche Asset & Wealth Management, Harvest started trading the db X-trackers Harvest CSI 300 China A-Share Fund on the New York Stock Exchange (NYSE). Launched with an initial investment of USD108 million, the ETF fund gives access to the 300 largest and most widely traded securities trading on the Shanghai and Shenzhen bourses. The initial investment is the largest for any EFT since 2007, which is “a positive indicator of pent up demand for direct exposure to mainland Chinese equities,” Martin Kremenstein, Director of Passive Asset Management for Deutsche Asset & Wealth Management Americas, said in a statement. Foreign investors were previously only allowed to invest in China’s yuan-denominated shares through Qualified Foreign Institutional Investor (QFII) and Renminbi Foreign Institutional Investor (RFII) schemes. The launch of the ETF marked China’s latest move to offer foreign investors better access to the county’s restricted capital market in a bid to restore confidence in one of the world’s worst performing markets. The Shanghai-Shenzhen CSI 300 Index has lost more than 30% since the beginning of 2010, the Shanghai Daily reports.

- Unprofitable public companies should strictly follow delisting regulations and halt trading in their shares, according to China Securities Regulatory Commission Chairman Xiao Gang. He called for policy changes that would make it easier for shares delisted from mainstream exchanges to trade in the over-the-counter market. Xiao added that such shares could regain their exchange listings when they meet the standards. Xiao made his comments at the 2013 annual meeting of the China Association for Public Companies. A well-functioning delisting system is critical to the effective allocation of resources in the capital market, analysts said. Since the delisting policy was introduced in 2001, fewer than 80 companies have left the stock exchange.

- Shuanghui International Holdings, which bought U.S. pork producer Smithfield Foods earlier this year, has hired banks for a Hong Kong initial public offering (IPO), seeking to raise up to USD6 billion in what could be the region's largest stock offering in four years. An IPO would allow Shuanghui to pay down debt borrowed for the USD4.7 billion Smithfield purchase and provide an exit for investors such as CDH. The listing is expected in the second quarter of 2014.
- China Petrochemical, parent of Shanghai- and Hong Kong-listed Sinopec, plans to spend up to about HKD136 billion to buy back a 2% stake in the subsidiary over the next year. Chinese regulators have publicly urged major shareholders and parent companies of China's major listed firms to buy back shares to support a weak stock market. The Shanghai Composite Index (SCI) has lost about two-thirds of its value since late 2007, when the global financial crisis flared up.
- Huishang Bank priced its initial public offering (IPO) near the bottom of expectations and Bank of Chongqing made a lackluster trading debut in Hong Kong. The offers have been sold at discounts to their listed rivals, but demand has been tepid as investors are less sanguine about the outlook of Chinese banks. Bank of Chongqing said the CNY20.1 billion it lent to the local government does not pose a threat to its balance sheet. The focus now shifts to the Hong Kong listings planned by China Everbright Bank, Bank of Beijing and China Guangfa Bank, among others, in the next 12 months.

TRAVEL

Juneyao eyes launch of budget airline

Shanghai-based Juneyao Airlines has applied for permission to set up a low-cost carrier in Guangzhou. The airline wants to tap the low-cost market in the Pearl River Delta (PRD), a market also targeted by Jetstar Hong Kong, which is still waiting for its operating license. To be named Jiuyuan Airlines, or "nine dollars" in Chinese, the carrier would target domestic flights to begin with, before expanding to regional destinations in Asia later. Currently, there is only one budget carrier, Spring Airlines, operating in China, home to the second-largest aviation market in the world. Low-cost carriers account for less than 5% of the total seat capacity in China, against 24% in the rest of Asia, but the Chinese government is to introduce policies to encourage the creation of budget carriers. A shortage of pilots and a dispute between outgoing pilots and state-owned airlines prompted the Civil Aviation Administration of China (CAAC) to close applications for new airlines for six years. The application window was reopened this year. Juneyao said it was not going to hire pilots at other local airlines' expense. The CAAC also announced that it would remove the lower limit on prices of air tickets. Previously, they could not be cheaper than 45% of the average price on the route. Spring Airlines last week launched its new Shanghai-Taipei route, with discounted one-way tickets at CN530 excluding taxes. A special terminal for low-cost airlines would also be set up at the new Beijing airport to be put in service in 2018. Budget carriers are crucial in China as more than 70% of the country's 1.3 billion population has never travelled by air.

- Hawaiian Airlines will launch a new route between Beijing and Honolulu next April, as the destination is popular with Chinese visitors. A total of 41,900 Chinese travelers visited Hawaii in 2009. By 2012, that number more than doubled to 110,000. The Hawaii Tourism Authority estimates that the number of Chinese visitors will reach 144,000 this year. Initially, the airline will run three flights a week on the route. Air China is also planning to launch a direct route between Beijing and Honolulu on January 21, 2014.
- Air China will open the first non-stop route between Beijing and Chiang Mai, Thailand, on November 7 with three flights weekly, and China Southern Airlines will also launch Guangzhou-Chiang Mai and Shenzhen-Phuket routes this year.
- A businessman from Wenzhou who carried €905,000 in cash on arrival in Shanghai from Italy has received an administrative punishment, customs officials said. Such a punishment can include a warning and a fine of up to 20% of the total amount of cash involved. Officials said it was the largest sum they have seized in the past five years. Passengers can bring foreign currency totaling no more than USD5,000 back into China. Between January and October, Shanghai customs discovered 263 cases of

passengers bringing in too much cash – 2.7 times the number of last year.

- Work has finished on the fourth runway at the Pudong International Airport, which will be put into service next year. With the new runway, Pudong airport will be able to handle 80 million passengers a year. Also under construction is a 3,400-meter fifth runway, which will be used for C919 test flights. Once that is complete, Shanghai will have seven runways – five at Pudong and two at Hongqiao International Airport. The cost of the two new runways is CNY9.4 billion. A new satellite terminal will also be built at the Pudong airport by 2015. Shanghai's two airports are expected to handle 100 million passengers and 5.5 million tons of cargo a year by 2015.

ONE-LINE NEWS

- The Higher People's Court in Inner Mongolia upheld the death sentence for Su Yenu, a businesswoman convicted of cheating investors out of CNY1.2 billion. The sentence still has to be confirmed by the Supreme People's Court in Beijing. Su began raising money in 2006 and invested in restaurants, health clubs, coal mines and farms in Ordos in Inner Mongolia.
- Beijing aims to become the first to host both summer and winter Olympic Games, as the Chinese Olympic Committee (COC) said that Beijing and Zhangjiakou, northwest of the capital in Hebei province, would launch a joint bid to host the 2022 Winter Olympic Games. Beijing, the 2008 Summer Games host city, would stage the ice events while Zhangjiakou would host snow sports. A high-speed railway connecting the two cities is being planned, with travel times between the two of about 40 minutes. Construction is expected to start at the end of this year.

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