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

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FCCC ACTIVITIES

China Information Session: Getting access for funding – Friday, 13 December – 10h00 – Brussels

The Flanders-China Chamber of Commerce is organizing an information session focused on getting access to funding from the EU, Belgium and China. This session is organized in cooperation with Agoria, Flanders Investment & Trade and the EU SME Center in Beijing. This practical information session will take place on Friday 13 December at 10 am at the Diamant Building, Bd A. Reyers Ln 80, 1030 Brussels.

The session focuses both on Flemish companies wishing to expand in China as on Chinese companies investing in Belgium.

The programme is as follows:

- 09h30 Registration
- 10h00 Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
- 10h05 “Developing your SME Business: Accessing Funding from the EU and China” by Mr Stephen de Pretre, EU SME Center Expert, EU SME Center in Beijing
- 10h35 “Update on China-Belgium Investment Funds” by Mr Rik Daems, Senator, Chairman China-Belgium Investment Fund
- 10h55 “Financial support for Flemish small and medium-sized companies” by Mr Yves Roekens, Expert Financial Support to Companies, Flanders Investment & Trade
- 11h10 “Access to Funding in China” by Mr Luc Nouwen, Head Corporate Business Development Corporate Banking Network Services, KBC Bank
- 11h25 “Access to funding via PMV” by Mr Roals Borré, Business Manager, PMV
- 11h40 “Case study: Punch Powertrain from a European to a Chinese Focus” by Mr Bart Cauberghe, Partner, GIMV
- 11h55 Question and answer session
- 12h30 Networking lunch in the presence of Chinese and Belgian banks

Register online before 12 December:

The participation fee for members of the FCCC is €125. The fee for non-members is €165.

ACTIVITIES

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

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

The ninth China-EU Business Summit was held in Beijing on November 21, attended by Chinese and European businesspeople. The Summit was organized by the European Union Chamber of Commerce in China and CCPIT, under the patronage of the European Commission and MofCom, and with the collaboration of EU-China Business Association – for which the Flanders-China Chamber of Commerce (FCCC) is in charge of the Secretariat General and was represented by Mrs Gwenn Sonck – and BUSINESSEUROPE.

Jiang Yafei, Vice President of Huawei Technologies, said: “China and the EU are important trading partners, but the full potential of two-way investment has yet to be realized. The two have a lot to gain in working together on technology. We hope China and the EU can improve the way they work together in areas such as mobile internet, cloud computing and big data.” Markus Borchert, President of Nokia Solutions and Networks in China, said China is moving away from its image as a country of low costs to a country known for its innovation. In the first 10 months of this year, the EU's direct investment in China's non-financial sectors was USD6.4 billion, an increase of 22.26% year-on-year, the Ministry of Commerce (MOFCOM) said. Between January and October, China's non-financial direct investment in the EU stood at USD3.04 billion, 92.4% higher than in the corresponding period last year. The EU is also an important source of China's technology imports. In the first nine months of this year, China imported USD10.78 billion in technology from the EU, the China Daily reports.

The 16th China-EU leaders' meeting was also held in Beijing on November 21, including European Council President Herman Van Rompuy, European Commission President Jose Manuel Barroso and Chinese Premier Li Keqiang. China and the European Union announced a grand plan for cooperation until 2020 and started talks on an investment agreement, mapping out the blueprint for the key relationship in the coming years. They also vowed to discuss the feasibility of a free trade agreement (FTA) and set the target for the bilateral trade volume in 2020 at USD1 trillion, nearly doubling the USD546 billion recorded in 2012. Premier Li Keqiang said of the China-EU 2020 Strategic Agenda: “The plan is unprecedented in its breadth of content, ranging from aerospace and counter-piracy to urbanization and energy.” President Van Rompuy told reporters that the two sides have made “a substantial step forward by launching negotiations on an investment agreement, covering both investment protection and market access”.

China and the European Union should foster new growth areas in cooperation, President Xi Jinping told EU leaders as they met one day before the China-EU summit. Xi also called on the EU to offer more convenience to Chinese investors. The summit was the first between leaders of the two sides after China's leadership transition in March. Areas singled out by Xi for cooperation include urbanization, innovation, aeronautics and astronautics. The 16th China-EU summit was held as the two sides celebrated the 10th anniversary of the Comprehensive Strategic Partnership.

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

In the framework of the China-EU Summit on November 21, the Urbanization Forum and the EU-China Exhibition on urban development were held in Beijing. About 800 participants attended the forum, among which 500 from the Chinese side and 300 from the EU, including representatives from the Chinese central government, local governments, businesses, experts and media, and from the EU side, officials from the European Commission, representatives from EU missions in China and the business community. Several sub-fora were also held.

During the forum, 12 cities from Europe signed cooperation agreements with their Chinese counterparts. The cities of Ghent and Weihai signed a cooperation agreement in the presence of Premier Li Keqiang, President Barroso and President Van Rompuy.

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.

PUBLICATIONS

FCCC publishes "FCCC Members' Portraits in China Vol.2"

See [FCCC Members' Portraits](#) on the FCCC website.

EXPAT CORNER

Beijing second most expensive Asian city

Beijing is now the second most expensive city for expats in Asia, behind Tokyo, while Hong Kong has surpassed Singapore to become the eighth most expensive, according to human resources consultancy ECA International. Globally, Hong Kong was at No 28 on the index, which surveys about 400 locations worldwide, twice a year. Singapore dropped one place to 30 in the world rankings, while Shanghai and Beijing both climbed significantly from 25 to 18, and 21 to 15 respectively. "Chinese cities are getting progressively more expensive," said ECA Regional Director for Asia Lee Quane. "Living costs in Shenzhen for example, have been rising much faster than in Hong Kong in the last year." Accommodation costs are not included in the survey as they are likely to be addressed separately by an expatriate's employer. "If we were to include such costs, Hong Kong and Tokyo would be higher in the ranking, while Beijing would be significantly cheaper due to lower housing costs," said Quane. The survey helps employers calculate allowance costs for overseas employees and ensure their spending power is not compromised. Caracas, capital of Venezuela, was named the most expensive city in the world for expats due to a sharp jump in living costs. Caracas is followed in the global ranking by Luanda, Oslo, Juba in South Sudan, Stavanger in Norway, Zurich, Geneva, Bern, Basel and Tokyo.

Shanghai's smog gives expats second thoughts

Record pollution levels that saw Shanghai engulfed by acrid smog on December 6 caused flight cancellations, shortages of face masks and made some expatriates reconsider their long-term plans to stay in the city. "It's horrifying. I've never seen anything like this. I feel like I've had a constant hangover for four days," said Tom Duvalier of Chicago. "If you go down into the subway system, the same smell is in the air. It's everywhere." The air quality index measured by the Shanghai Environmental Monitoring Center stood at 482 as of 6 pm, while the U.S. Consulate gauged it at 503 at 2 pm – a reading "beyond the index". Levels above 300 are considered "hazardous". It was the highest level of pollution recorded since Shanghai set up its measuring system last December, beating records set earlier last week. "There are no masks left in 7-Eleven. They've sold out. People are saying that if it continues like this, they're not sure if they want to stay here long-term", a British expatriate said. The severe pollution has triggered fears that companies in the city will struggle to attract high-quality overseas talent, and some analysts expect it will deter foreign companies from investing in the recently opened China (Shanghai) Pilot Free Trade Zone, the China Daily reports. Ioana Kraft, General Manager of the Shanghai office of the European Union Chamber of Commerce in China, said that "while members leave for all sorts of reasons, we inevitably hear nearly every time that one of the contributing reasons is the air pollution."

- Construction of the British Wellington College's Shanghai branch in Pudong will be completed this month. The college will start enrolling foreign passport holders, between the ages of three and 18, in August 2014. The annual school fee will be about CNY200,000 a year with teachers and courses from the United Kingdom. The

campus will cover a total floor area of 36,000 square meters, including four main buildings, three football pitches, a 400-meter Tartan running track, tennis and basketball courts and a six-lane swimming pool. The school can accommodate 1,500 students from kindergarten to high school.

FINANCE

Offshore accounts allowed in Shanghai FTZ

The People's Bank of China (PBOC) said it will permit businesses and individuals to open offshore accounts in the China (Shanghai) Pilot Free Trade Zone, a decision intended to promote cross-border investment in the pilot area. The central bank said the move will hasten progress toward market-determined interest and exchange rates and promote full convertibility of the yuan. All financial institutions in Shanghai will be able to offer this service via a separate accounting unit for FTZ transactions. There will be no barriers to money transfers between the offshore accounts in the FTZ and overseas accounts. However, transactions with domestic bank accounts will be classified as cross-border transactions and therefore regulated. The accounts can be used for cross-border financing, as well as individual investment by Chinese nationals in overseas securities and by foreigners in the domestic capital market, according to the central bank. Investors will also be able to conduct foreign-currency transactions involving the yuan within their accounts, without a daily limit "when conditions mature", according to the bank. The PBOC will also remove the interest rate ceiling on foreign-currency deposits "at an appropriate time". Lu Zhengwei, Chief Economist at Industrial Bank, said the biggest step taken so far by the PBOC to support the new zone was to allow individuals to invest in overseas markets without being restricted by quotas under the qualified domestic institutional investor (QDII) program. Implementation of the guidelines still depends on detailed operating rules. So far, 47 financial institutions, including 12 foreign banks, have received approval to set up a branch in the FTZ, two months after the zone was officially launched.

Trading volume of futures hits record high

The trading volume of the Chinese futures market hit an all-time high in the first 11 months of the year. Trade volume rose 45.86% year-on-year to 1.9 billion lots. In terms of value, volume increased 61.93% year-on-year to CNY246 trillion in the same period, the highest amount since the country first set up a futures market in 1993. Financial futures, especially stock index futures, led the growth. The China Financial Futures Exchange said that trade volume increased 98.29% year-on-year to CNY130 trillion in the January-November period. Stock index futures' trading volume now takes up 9.4% of the overall market. "Investors' need to hedge the stock market with index futures helped push up trading volume," Beijing CIFCO Futures Co said in the report. The market-entrance threshold for stock index futures was also lowered this year, from CNY500,000 to about CNY3,500, attracting more retail investors. Gold and silver trading also soared in the second half of the year, after major exchanges started overnight trading. The Shanghai Futures Exchange saw its accounts more than double to 60,800 after overnight trading was introduced on July 5. The Dalian Commodity Exchange's new egg futures saw a trading volume of CNY10.61 billion on the first trading day on November 8. Seven new types of futures contracts hit the market this year, including coke, eggs and iron ore. Three more types of contracts are expected to be launched this year, such as plywood and fiber board.

Yuan second most used currency in trade finance

The yuan overtook the euro to become the second most used currency in global trade finance in October, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) said. The use of the yuan in traditional trade finance, such as letters of credit (LCs), grew from a 1.89% share in January last year to 8.66% in October this year, propelling the Chinese currency to second place, said Brussels-based SWIFT. The yuan ranked behind the U.S. dollar, which remained the leading currency with a share of 81.08%. The euro's share fell from 7.87% in January last year to 6.64% in October this year. The top three foreign countries using the yuan for trade finance in October were Singapore, Germany and Australia. "The yuan is clearly a top currency for trade finance globally and even more so in Asia, as shown by SWIFT's business intelligence statistics on the pace at which China's exporters and importers and their counterparts use the yuan for letters of credit," said Franck de Praetere, head of payments and trade markets at SWIFT for the Asia Pacific. Globally the yuan was the 12th most used payment currency in October, but it slipped to 0.84% from 0.86% in September, the

China bans banks' Bitcoin transactions

China has taken a tough line against Bitcoin, ruling that it is a virtual product, not a currency, and barring financial institutions from doing any kind of business in it. Surging Chinese demand has been one of the main drivers of Bitcoin's 5,000% appreciation this year, but China's ban led to a crash in the Bitcoin's value in the past few days from over USD1,200 for one Bitcoin to below USD840. Bitcoin is an open source peer-to-peer electronic money and payment network. The coins carry a numerical code or private key that provides the Bitcoin with its value. Bitcoins can be used for digital payments or are bought and sold at a variable price against the value of other currencies. The Chinese government stopped short of banning Bitcoin altogether, saying that as an online product people were free to buy and sell it at their own risk, but it highlighted many dangers associated with it, including money laundering and criminality. "Although there are people calling it a 'currency', it is not issued by the monetary authority, it does not possess the attributes of a currency such as legal repayment and enforcement abilities," the People's Bank of China (PBOC) said in a statement, adding that "it cannot and moreover should not be allowed to circulate in the market as a currency." About a third of global Bitcoin transactions have been taking place in China and BTCChina became the world's biggest Bitcoin exchange by trading volume last month. No major financial institutions have yet been involved in the Bitcoin trade in China, but online vendors have started using it, the Financial Times reports. Baidu, China's largest internet search engine, said it would stop accepting Bitcoins.

- Standard Chartered Bank is partnering with the Agricultural Bank of China (ABC) to provide yuan clearing services to financial institutions and other corporates in the UK, paving the way for the development of offshore yuan products. It is hoped the MOU will boost London's position as a leading offshore yuan center. London currently handles 60% of the yuan foreign exchange trade in the world.
- China's manufacturing activity in private and export-oriented companies grew at a slightly slower pace in November while that in state-owned enterprises was flat, according to the HSBC Purchasing Managers' Index (PMI). The index rose to 50.8 in November from the earlier flash reading of 50.4, but easing a bit from 50.9 in October. The official PMI, released by the China Federation of Logistics and Purchasing (CFLP), was flat at 51.4 in November. Zhang Zhiwei, Economist at Nomura, said "we maintain our view that China's economic growth has peaked in the third quarter and will slow to 7.5% in the fourth quarter and 6.9% in 2014."
- HSBC said Hong Kong's yuan deposits are likely to grow at a faster pace than Hong Kong dollar (HKD) and other currency deposits, increasing to 30% of all deposits by 2015 from about 10% currently. HSBC expects the pool of yuan in Hong Kong, including customer deposits and certificates of deposit, to reach CNY2.6 trillion by 2015 from CNY960 billion at the end of October. Yuan deposits in the city would likely experience double-digit growth each month, said the Chief Executive of HSBC's Hong Kong office, Anita Fung.
- The Chinese government is expected to accelerate the launching of a catastrophe insurance scheme to protect people and their property from natural disasters, according to Sally Yim, Senior Credit Officer at rating agency Moody's Investors Service. "A catastrophe insurance scheme has been under discussion for years, but we expect a concrete plan to be launched within a year," Yim said. In China, the largest catastrophic losses have been caused by earthquakes, but existing levels of insurance coverage were extremely low, he added. Government financial support will be needed to attract or encourage insurance companies to participate in catastrophe insurance.
- Rail and postal services will be added to the value-added tax (VAT) reform program starting on January 1. The move followed the decision to expand VAT reform nationwide from the transport sector and six service sectors since August 1. After the rail sector is added, all of China's transportation sectors will have been included in the VAT reform. The pilot program to replace the business tax with a value-added tax is part of the government's efforts to invigorate the country's small- and medium-sized enterprises (SMEs), most of which are privately-owned.
- Regulators in Hong Kong and on the mainland are in the final stages of preparations

to launch a long-awaited bilateral fund recognition scheme. It would allow international fund managers based in the city to sell their products on the mainland and mainland fund managers to sell theirs in Hong Kong.

- The People's Bank of China (PBOC) is expected to formally launch financial liberalization measures in the new Shanghai free trade zone (FTZ) in three months. Zhang Xin, Director of the People's Bank of China's Shanghai branch, said that it would take about a year before the measures could be copied and extended to other regions.
- The Shanghai Gold Exchange plans to launch an international board in the pilot free trade zone to attract offshore yuan capital to invest in the Chinese gold market, Exchange Chairman Xu Luode said at a precious metals forum in Shanghai. The Shanghai exchange will establish a system that publishes daily rates at which selected market participants are willing to lend gold in the interbank market, which is similar to the Gold Forward Offered Rates by the London Bullion Market Association.
- The People's Bank of China (PBOC) published a guideline on deposit certificates in the interbank market, another step towards fully floating interest rates. Effective December 9, financial institutions must report their annual plans for the issue of deposit certificates to the PBOC before entering the market, with a one-time minimum volume at CNY50 million. This will allow banks to borrow at more stable costs in the interbank market.

FOREIGN INVESTMENT

China's ODI growing much faster than GDP

China's outbound investment is expanding almost three times as fast as the nation's GDP, and the emphasis is shifting away from resources and toward the service sector and industry, private equity firm A Capital, which has offices in Beijing, Brussels and Hong Kong, said in a report. From January to September, China's ODI totaled USD73 billion, up 20% year-on-year. The GDP growth rate for the period was 7.7%. The firm said China's ODI will likely equal inward foreign direct investment (FDI) in the next three years, with an additional USD500 billion in new outbound investment by 2016. About 57% of Chinese ODI in the first nine months went into mergers and acquisitions (M&As), which rose 21% to USD41.6 billion. Investment in overseas resources projects and companies totaled USD23.7 billion, up 7% – including the USD15.3 billion take-over of Nexen by CNOOC. That deal alone accounted for 63% of all resources M&A by value. Investment in industry and the service sector surged 46% to USD17.9 billion. The total was boosted by the acquisition of U.S.-based pork producer Smithfield Foods by Shuanghui International Holdings. In the industry and services category, ODI in North America took up 40%, with 30% in Europe. “Chinese investors are increasingly going for high added-value firms,” said André Loesekrug-Pietri, Chairman of A Capital. Only 13.9% of all M&A deals went to Europe, and the value in the first three quarters dropped 25% to USD5.8 billion. There were only two exceptions: ODI in Germany was up 72%, and investment in France was “stable”, the report noted. State-owned enterprises remained the driving force, accounting for 75% of all M&A deals by value in the first nine months. Private-sector companies' total M&A deal value was up 86% at USD10.4 billion, the China Daily reports.

- Merck, the world's largest supplier of liquid crystals for television, computer and smartphone displays, opened a new plant in Shanghai to cut reliance on imports.
- Theodore Moran, a long-time adviser to the U.S. Director of National Intelligence, has resigned after the government learned he had worked since 2010 as a paid consultant for Huawei Technologies, advising the company on investment. Moran was also a member of the advisory panel on foreign investment in the United States. Moran said he had complied with all conflict-of-interest reports and procedures of the National Intelligence Council.

FOREIGN TRADE

China wants better terms in FTA with Australia

China feels it faces discrimination when trying to invest in Australia and will push for more favorable terms in free-trade agreement (FTA) talks with that country, while Australia will lobby

for lower tariffs for its agricultural exports to China, said John Mollard, Melbourne-based Partner and China Specialist at international law firm Baker & McKenzie. U.S. companies can freely invest up to AUD1 billion in Australian businesses without requiring approval from the Australian Foreign Investment Review Board (FIRB). By contrast, Chinese private investors that invest more than AUD248 million in Australian businesses require approval from the FIRB. Investments of any size from state-owned enterprises (SOEs), including those from China, also require its approval. During the FTA talks, Beijing is expected to seek fewer restrictions on Chinese investments in Australia, closer to the terms granted to the U.S., said Mollard, who has been following the negotiations closely as a Member of the Australia-China Business Council. China has been Australia's largest trading partner in the past two years and accounts for 24% of Australia's two-way trade, according to official Australian data. There was a 43% fall in Chinese direct investment in Australia in the first seven months of last year, according to official Chinese data. One important reason may be the growing sense among Chinese investors of being subjected to mistrust and discrimination, the Australia-China Business Council report said. In March, the Australian government, under former Prime Minister Julia Gillard, rejected on national security grounds a bid by Chinese technology firm Huawei to participate in a AUD36 billion broadband network, the South China Morning Post reports.

Exports up 12.7% in November, import growth drops

China's exports in November surged 12.7% from a year earlier while imports lost their pace, growing 5.3%. Exports rose to USD202.2 billion last month, compared with October's gain of 5.6% and September's decline of 0.3%, according to the General Administration of Customs. Imports rose to USD168.4 billion in November, slower than the 7.6% gain in October. The trade surplus totaled USD33.8 billion, up from October's USD31.1 billion. "Exports came in much higher than expected due to better demand from developed economies. But imports unexpectedly slowed, pointing to weaker domestic demand," Zhou Hao, Economist at Australia & New Zealand Banking Group (ANZ) said. China's shipments to the United States last month expanded 17.7% from 8.1% in October and those to the European Union grew by 18.4% from 12.7% in the previous month. In the first 11 months, China's trade gained 7.7% year-on-year to USD3.8 trillion. ANZ's Zhou predicted China's trade surplus would easily exceed USD240 billion this year, which will be the highest since 2008 as the surplus has already hit USD234 billion in the first 11 months. According to Chen Hufei, Researcher at the Shanghai-based Bank of Communications, "the export surge in November was more possibly driven by the inflow of hot money speculating on the difference in interest rates at home and abroad as well as the continuous appreciation of the renminbi. What's more, local governments may have overstated the export data to make the year-end performance look better." On December 8, the State Administration of Foreign Exchange (SAFE) said that "it will crack down on fake trade activities for interest arbitrage" and asked banks to report suspicious trade activities. November's remarkable trade surplus will increase expectations for the appreciation of the renminbi.

- China launched a trade dispute against the United States to challenge Washington's accusations that China has dumped cheap exports on the U.S. market, the World Trade Organization (WTO) said in a statement. The dispute is the eighth that China has filed over U.S. trade remedies, the WTO said. Its case argues that Washington assesses "dumping" in a way that breaks WTO rules.
- A bottle of 2004 Romanie-Conti from the French Prime Minister's cellar is on its way to China after fetching €10,500 at auction in Paris, more than twice its guide price. The burgundy was one of 1,400 bottles put up for sale as part of government efforts to trim France's budget deficit. Huang Lishen, who made the winning bid, said he bought the bottle for a Chinese friend who imports wine.
- 41 leading industry associations from around the world have closed ranks to urge Premier Li Keqiang to help steer China back to negotiations on expanding the scope of products covered by the Information Technology Agreement (ITA), a global tariff-cutting scheme established in 1996. The latest round of ITA talks in Geneva were suspended on November 21 after China refused to pare down the number of information and communications technology products it wanted excluded from an expanded pact. Expansion of the ITA would slash tariffs on about USD1 trillion in annual global sales – about 7% of total world trade, according to estimates by the European Commission.
- The Chinese government has authorized Suifenhe city on the China-Russia border in

Heilongjiang province as the country's first pilot zone where the ruble can function equally as the renminbi yuan. It is the first time since the founding of the People's Republic of China that a foreign currency is allowed to function on a par with the renminbi in a designated area on the Chinese mainland.

HEALTH

Anti-smoking efforts criticized

China has been doing a poor job of curbing smoking, according to the latest annual report—Tobacco Control in China from A Civil Society Perspective 2013, compiled by ThinkTank. It found that the production of cigarettes had increased by nearly 50% over the past decade. "China's been controlling tobacco and smoking for 10 years. However, the number of smokers and those exposed to second-hand smoke have not dwindled at all," Wu Yiqun, Deputy Director of ThinkTank said. China has 300 million smokers. The smoking rate among men is 52.96%. 1.4 million Chinese die from smoking-related diseases every year, accounting for one-third of the world's total.

- Hong Kong quarantined 17 people after the city confirmed its first human case of the deadly H7N9 bird flu. Meanwhile, a second case has been identified. The 17 are mostly relatives of the employer of a 36-year-old Indonesian domestic helper, who is in critical condition in a Hong Kong hospital after a visit to China's mainland. All 17 people had tested negative for the virus. Hong Kong has suspended imports of live poultry from Shenzhen.
- Huang Fengping, Deputy Director of Shanghai's Commission of Health and Family Planning, has been suspended from his job amid claims he is connected to an ongoing investigation into UK drug company GlaxoSmithKline (GSK). In July, police detained four GSK executives and other related personnel in China over allegations they were involved in giving bribes totaling CNY3 billion to government officials, medical associations and foundations, hospitals and doctors.

IPR PROTECTION

European and Chinese patent offices sign agreement

The heads of the State Intellectual Property Office (SIPO) and the European Patent Office (EPO), Tian Lipu and Benoit Battistelli, had their seventh meeting late last month in Beijing to renew their commitment to supporting innovation globally. They signed an agreement on an annual work plan. The Chinese side will start to use the latest version of EPO's patent search engine next year, according to the agreement.

- The police of Lanzhou, capital of Gansu province, recently uncovered the largest IP infringement case in the province, in which they arrested more than 10 suspects and found more than 500,000 pirated discs in three hideouts with a potential sales value of around CNY5 million. The police said that the illegal group had purchased the discs from Guangdong and Jiangsu provinces and then sold them in Gansu and other western regions.
- Fantasy novelist Jiang Nan topped the 2013 China's Richest Writers list with earnings of CNY25.5 million from copyright royalties. He finished ahead of Nobel laureate Mo Yan and children's writer Zheng Yuanjie, who was number one last year. JK Rowling is No 1 on the list of China's Richest Foreign Writers. Tang Jia San Shao, born Zhang Wei, continued to top the list of online writers with earnings of CNY26.5 million.

MACRO-ECONOMY

China issues city development plan

China has identified 262 resource-dependent cities in its first national framework plan to guide their development. The plan puts the cities into four categories based on their resource sustainability: emerging, mature, declining and regenerative. The idea behind the plan is that different resource-dependent cities have different problems and require differentiated

development strategies. For instance, “emerging” resource-dependent cities, such as Ordos in Inner Mongolia, are plagued by over-mining issues and environmental damage problems, while “declining” resource-dependent cities such as Fushun in Liaoning province are haunted by their declining industrial sector, high unemployment levels and deteriorating communities. For “emerging” cities, the policy focus will be to regulate excessive mining; for “declining” cities the policy emphasis will be to foster alternative industries and safeguard residents' living conditions; while for “mature” cities, it will be to increase the resource-utilization efficiency and improve the quality of their urbanization processes. In the 67 “declining” cities, a total of 70 million square meters of shanty towns have to be redeveloped; 140,000 hectares of land that is sinking due to extraction processes has to be restored; more than 600,000 unemployed people need jobs; and 1.8 million people rely on minimum living allowances, the China Daily reports.

Chinese brands gaining strength

Top Chinese brands are now better at making their names known when competing against foreign peers but are still weak when it comes to differentiating themselves, a study by research agency Millward Brown shows. The annual BrandZ ranking of the 100 most valuable Chinese brands was topped by China Mobile with a brand value of USD61.4 billion. Industrial and Commercial Bank of China (ICBC) was second and internet company Tencent third. “Over the past three to five years, Chinese companies' brand power has become stronger than ever. They have made huge progress on how to use different channels to raise brand awareness and provide diverse and better products to consumers”, said Doreen Wang, Manager of Branding with Millward Brown. The total value of the top 50 Chinese brands has risen 13% this year, to the equivalent of about 6% of gross domestic product (GDP). State-owned enterprises still dominate brand rankings, but privately-held companies are growing more strongly. The rankings, based on interviews with nearly 300,000 consumers and public financial data, include only listed Chinese companies with positive earnings over the past year. Despite increasing awareness domestically, the study shows Chinese brands are relatively unknown overseas. Only 6% of U.S. consumers and 14% of British consumers polled in the study could recall at least one Chinese brand. By contrast, 29% of people in Brazil and 27% in Russia said they could recognize one or more Chinese brand. Ten firms in the ranking, including Lenovo, Air China and Hisense, have seen more than 15% of their revenue come from overseas markets, the South China Morning Post reports.

- China's top economic planning agency, the National Development and Reform Commission (NDRC), is likely to undergo a major transformation in the years ahead. The Commission is expected to lose much of its oversight function, and will instead focus on devising mid- to long-term economic strategies. Responsibility for reforms would be shifted to a newly-established Communist party leading group.
- HSBC's final purchasing managers index (PMI) for November was 50.8, the second-highest reading in eight months, despite easing marginally from October's 50.9. However, it was well up from the preliminary figure of 50.4 that HSBC gave on November 21. China's National Bureau of Statistics (NBS) said its official PMI for November came in at 51.4, unchanged from October and the highest since April last year. The non-manufacturing PMI eased slightly to 56 in November from 56.3 in October.
- Shanghai came out top in a survey of Chinese cities, ranking their speed of transformation, innovation capability and social harmony. Shanghai's Economic Restructuring Index stood at 78.1 last year, up 4.6 points from 2010 and against the national average of 44.5. Beijing was second in the ranking with a small gap of 0.5 point from Shanghai's. It was followed by Guangdong, Jiangsu and Zhejiang provinces.
- Police in China shut down six public relations companies and detained dozens of suspects in a recent crackdown on businesses deleting online posts. Beijing IWOM, one of the six companies, is believed to be the largest of its kind in China, with more than CNY10 million involved. Its has been shut down. IWOM has helped its clients to delete negative information online by offering bribes to website editors and technicians through agents.
- China's cotton output is expected to drop sharply this year compared with 2012, which will result in increased cotton imports. Lu Huaiyu, Vice President of the China Cotton Association, said that the cold weather during the cotton seeding season, heavy rains

and then a drought in major cotton-planting regions such as Hunan, Anhui, and Jiangsu provinces between June and August have severely cut the nation's cotton production. The Ministry of Agriculture forecast that cotton output will be around 6.3 million metric tons in 2013, down 540,000 tons from last year's figure. Lu said that cheaper Indian cotton prices and shrinking cotton farmland are another two important factors behind the country's lower cotton output.

REAL ESTATE

More defaults expected in property trust sector

China's property trust sector will probably suffer more defaults in the next two years as thousands of small developers will be squeezed out by intensifying competition amid policy tightening by the government, industry analysts said. A record amount of funds has recently been raised by trust firms to help finance property projects as developers and investors have been encouraged by strong housing demand and rising home prices, despite repeated efforts from the government to cool the market. However, some badly managed developers have failed to meet their debt obligations after being caught in a cash crunch as sales stalled following fresh tightening measures. In this year's third quarter alone, trust firms issued CNY167.5 billion worth of funds on behalf of developers, up 97% from the same period a year earlier, according to data from the China Trustee Association. Outstanding property trust funds totaled CNY894.2 billion at the end of September.

- Shui On Land announced it agreed to sell a 99% interest in Shanghai Xing Qiao, which owns a 99% stake in the Taipingqiao development site, for more than CNY3.32 billion. Shanghai Xintiandi, a subsidiary of Shui On Land, will provide management services such as administration services, leasing and financial management services to the project. The Taipingqiao project is being built in Shanghai's Huangpu district. It is a commercial, office and retail project.
- Shanghai is the second-most attractive investment market for real estate after Tokyo in the Asia-Pacific region, according to Emerging Trends in Real Estate Asia-Pacific 2014, a real estate forecast jointly published by the United States-based Urban Land Institute and PricewaterhouseCoopers (PwC). Guangzhou ranks sixth for investment prospects and fifth for development potential. Also in Guangdong province, Shenzhen climbed the ranks as a development destination (rising from 11th place to third), thanks to the launch of the Qianhai experimental financial zone.

RETAIL

China's KFC November sales fail to grow

Yum Brands said sales at established KFC restaurants in China, its top market, failed to grow in November despite a successful half-priced chicken promotion. The limited-time half-priced bucket promotion yielded a rise of about 16% in KFC same-restaurant sales for the first 10 days of last month. China accounts for more than half of Yum's operating profit. KFC's shares dropped as it had been expected sales would rise. Yum's same-restaurant sales rose 1% last month, including flat sales at KFC and a gain of 7% at Pizza Hut. Yum is the biggest Western restaurant operator in China and the company had almost 4,500 KFC outlets in the country at the end of its third quarter. Yum forecast at least 20% growth in next year's earnings per share, excluding special items. "We expect to have a strong bounce-back in 2014 following a year that is clearly below our high expectations," Chief Executive David Novak said. Yum's China business took a dive after China Central Television (CCTV) in December last year reported that a few poultry farmers doing business with Yum suppliers fed their chickens excessive levels of antibiotics, but no case was brought against Yum.

Carrefour to open 60 stores in next three years

Thierry Garnier, President and CEO of Carrefour China, announced in Beijing that the group is expected to open 60 new stores to expand its presence to a total of 100 cities within three years, with most new stores opened in third- and fourth-tier cities in the country. Carrefour now has 236 stores in 73 cities in the country. The French retailer has seen its third quarter sales rise by 4.7% in China, one of its two key international markets. Hermann Ng, CEO of Retail Nation, a consultancy in Shanghai, said the company's growth is still slower than strong

Chinese competitors, many of which achieved double-digit growth this year. Competitor Walmart Stores has closed 11 stores and will shut 15 to 30 other outlets in the next 18 months in China, while United Kingdom-based Tesco announced it will form a joint venture with China Resources Enterprise, which operates the Vanguard stores.

- All nine Marie France Bodyline branches in Shanghai have either shut down or stopped providing services recently. The skin care and weight loss company is owned by Hong Kong-based Global Beauty International, which said that it had sold its Chinese mainland business in the summer. Some employees who were still owed their salaries said they were planning to take legal action. The closed branches did not give any advance notice. Some customers had more than CNY10,000 remaining on their prepaid membership cards and didn't know if they would be refunded.

SCIENCE & TECHNOLOGY

Shanghai Jiaotong University launches courses on Coursera

Shanghai Jiao Tong University launched two Chinese courses with English subtitles on Coursera, a United States-based website that provides free, online and open courses for learners from all over the world at no cost. It was the first time that a local university had used Coursera to promote its courses internationally. It was a sign that top Chinese universities were moving away from the more traditional method of teaching and were willing to accept a new format that benefits a much larger section of people, heralding a revolutionary step in education reform in China, the Shanghai Daily reports. The two courses posted online are "The Journey of Mathematics," a lecture by Professor Wang Weike and "Traditional Chinese Medicine and Chinese Culture" by Professor Peng Chongsheng. About 9,000 Chinese and overseas learners signed up for the TCM course within 12 hours while the mathematics course drew 6,000 learners.

China strongest in higher education among emerging economies

China topped an inaugural ranking of universities in the BRICS countries and emerging economies, according to UK-based Times Higher Education. Peking University was No 1 and Tsinghua University No 2. The University of Cape Town in South Africa was ranked No 3. Universities on the Chinese mainland claimed six spots in the top 20, 15 in the top 50, and 23 in the top 100. Taiwan had 21 universities in the top 100. "China has emerged as the strongest higher education nation among the emerging economies," said Phil Baty, Editor of the Times Higher Education rankings. "Perhaps the final step holding China back from true greatness in higher education is more autonomy for its universities. This will allow them to be more flexible and dynamic in a global market," Baty added. The ranking was based on the same methodology as the World University Rankings, with 13 performance indicators in five areas.

- China has established 440 Confucius institutes in 120 countries and regions to promote the Chinese language and culture around the world, according to the Confucius Institute Headquarters. About 850,000 students have registered since the first institute was established in 2004.
- The Chang'e-3 probe entered a circular lunar orbit 100 kilometers above the moon's surface on December 6 after about 112 hours on an Earth-moon transfer orbit, the Beijing Aerospace Control Center said. The probe is planned to soft-land on the moon in the middle of this month.
- The English test will be removed from China's college entrance exam by 2020, according to the Ministry of Education. The exam would also be supplemented by a number of tests. But educators said colleges and universities would not lower English thresholds in some majors since the internationalization of China's higher education was imperative.
- Shanghai again ranked first for mathematics, science and reading in the three-yearly PISA report of the Paris-based Organization for Economic Cooperation and Development (OECD). The PISA report (Program for International Student Assessment) is the single largest study of global schooling. Around 6,400 students from 155 schools in Shanghai took part in the latest assessment in April last year.

STOCK MARKETS

U.S. SEC widens probe in hiring practices

Goldman Sachs, Deutsche Bank, Citigroup, Morgan Stanley and Credit Suisse Group – in addition to JPMorgan Chase – are being investigated by the U.S. Securities and Exchange Commission (SEC) for their hiring practices in China. They are suspected of violating anti-bribery laws by hiring the children and other relatives of well-connected politicians and clients in China in exchange for having business steered to the firms. A probe of JPMorgan had reportedly uncovered an internal spreadsheet that linked appointments to specific deals. The spreadsheet included about 30 employees with connections to state-owned firms or Communist Party officials. The documents gave no indication that executives at JPMorgan headquarters in New York knew of the hiring practices. Spokesmen for JPMorgan, Citigroup, Morgan Stanley and Goldman Sachs, all based in New York, declined to comment, as did the SEC and the U.S. Justice Department.

- The China Securities Regulatory Commission (CSRC) denied rumors that it had halted taking IPO applications but stressed that applicants must conform to new rules before being considered. The CSRC vowed on November 30 to end a 14-month IPO hiatus and allow at least 50 companies to float shares by January next year. More than 760 IPO candidates are now in the pipeline, and the CSRC said it will take almost a year to assess them all. IPO candidates must update their filings before December 20 if they want to go public in January. China is moving from an approval-based to a registration-based IPO system.
- HNA Aviation Technik Co, the aircraft maintenance and engineering subsidiary of HNA Group, plans to be listed independently. The company does not have a specific timetable for the listing, but it is actively preparing, said Cao Fenggang, Vice Chairman and CEO of HNA Technik. The company's income was more than CNY1 billion with a 20% year-on-year growth in 2012, and its income will be CNY1.51 billion this year.
- Chinese companies dominated the Hong Kong Institute of Directors' annual awards for best Directors of listed firms. China Pacific Insurance won awards for having the best Executive Director and the best Board among firms included in Hong Kong's benchmark Hang Seng Index. Shanghai-based Fosun International and Kingdee International Software won awards for having the best Executive Director among companies not included in the Hang Seng Index. China Everbright won for having the best Non-executive Director in the same category.

TRAVEL

InterContinental to maintain China push despite slowdown

InterContinental Hotels (IHG), the world's largest provider of hotel accommodation, plans to open "at least the same" number of hotels in China next year as this year, even as growth in room revenue slows. The hotel operator, which also runs the Holiday Inn and Crowne Plaza brands, opened 17 hotels this year to the end of the third quarter in the mainland, Hong Kong, Macao and Taiwan, its second-largest market outside the U.S., said Chief Executive Richard Solomons. China's hotel market slowed after the government restricted officials from spending excessively on banquets or luxury accommodation. The company, which first entered China in 1984, plans to open more than 170 new hotels in the country. "We are not cutting back at all in terms of what we are doing here," Solomons said in Shanghai. IHG plans to hire 110,000 staff in China by 2015, adding to the 60,000 staff it already has. It also has plans to open a further 179 hotels in China, according to the company, which did not specify over what period. Solomons was part of the trade mission headed by British Prime Minister David Cameron. The company's first hotel under the new brand Hualuxe will open at the end of next year.

- Most Chinese want more and longer public holidays, according to nationwide online polls. The majority preferred a seven-day National Day holiday and many called for a longer Spring Festival holiday and a week-long May Day holiday. Under the three schemes offered for deliberation, there will still be 11 public holidays a year. Many called on the government to extend the Spring Festival holiday to 15 days until the Lantern Festival. They also urged the nation to re-introduce the week-long May Day holidays.

- The Chinese government has praised the United States and other countries that have advised their own airlines to comply with the new air defense identification zone (ADIZ) over the East China Sea. But the Ministry of Foreign Affairs criticized Tokyo for “politicizing” the Chinese zone, saying that Japan's attitude was not conducive to ensuring the necessary cooperation between the two countries on civil aviation. The Chinese Ministry of National Defense has demanded that all aircraft submit flight plans when traversing the zone, which covers the Diaoyu Islands.
- Chinese business travelers will be able to get their visas to the UK within one day if they apply in Shanghai, British Prime Minister David Cameron said. The policy will be enacted within a few months.
- Flight tickets on some popular routes just before the Spring Festival have almost been sold out as passengers are keen to get a discount by booking earlier, domestic carriers said. Only first-class tickets remain available on some routes. Chinese New Year falls on January 31 next year and the holiday runs until February 5. The Spring Festival rush is expected to start on January 17.
- Hong Kong may lose its position as the top choice for outbound mainland tourists within a decade as they seek broader travel experiences, a recent report by the Boston Consulting Group suggests. Hong Kong was dropped off a list of the 15 most popular travel spots in a survey of nearly 1,000 middle-class mainlanders that were asked what was their dream holiday destination in five to 10 years. The Maldives received the most votes, followed by the United States, France and Australia.
- A total of 30 new high-speed train services from Shanghai to northern China will be permanently added to the schedule beginning on December 28, the Shanghai Railway Bureau said over the weekend. The trains will significantly reduce travel times. For example, the trip from Shanghai to Harbin will be shortened from 31 to 13 hours.

VIP VISITS

British Prime Minister David Cameron backs the “China dream”

Chinese Premier Li Keqiang and British Prime Minister David Cameron oversaw the signing of business deals ranging from high-speed rail projects to nuclear power, legal assistance in criminal matters, a pact on space exploration cooperation, and agreements on enhancing bilateral investment and developing China's use of gas. On his second visit to Beijing, Cameron was accompanied by six Ministers and Britain's largest ever business delegation to China with 130 members. Li Keqiang said Britain and China had become “indispensable partners for each other's development”. He compared Sino-British relations to a high-speed train that can “move forward along the track and constantly increase its speed”. Cameron said: “I see China's rise as an opportunity, not just for the people of this country, but for Britain and the world. Britain wants China to realize its dream and I believe we can help each other succeed in the global race.” Britain said it would streamline processes for Chinese citizens to enter Britain for business and tourism purposes. Both sides also signed agreements on investment, finance, legal affairs, culture and health care cooperation. Cameron told Li he would call on the European Union to negotiate a free trade deal with China, which could be worth “tens of billions” of pounds a year. Besides Beijing, Cameron also visited Shanghai, Hangzhou and Chengdu. It was announced that Britain will open a consulate in the central city of Wuhan. Cameron also advised British children to learn Chinese, rather than French or German. The UK-China School Partnerships program aims to double the number of Chinese learners in Britain to 400,000.

French and Chinese PMs agree on nuclear cooperation

China and France agreed to expand cooperation in nuclear energy to target new markets after a meeting between the Chinese Premier Li Keqiang and visiting French Prime Minister Jean-Marc Ayrault. The French PM visited a reactor project in Taishan, Guangdong province. The two nations first began working together in the nuclear energy field 30 years ago. Chinese President Xi Jinping is due to visit Paris in the spring to mark 60 years of diplomatic relations between France and China. In the meeting with Li, Ayrault said France aimed to host 50,000 Chinese students by 2015 and pledged to cut the visa process to two days. He also pushed for more French exports in areas such as health care and agribusiness in an effort to better balance trade ties. France's trade deficit with China reached €27 billion last year, according to the French Economy Minister. Both sides also agreed to expand cooperation in aviation, trade,

finance, and car manufacturing.

- Ukrainian President Viktor Yanukovich visited China as pro-EU protests in his country continued. Yanukovich flew to China seeking loans and investment to avert a debt crisis. The decision to travel suggested the President felt the security situation was under control. However, he was unable to secure new direct financial aid from China. Yanukovich and Chinese President Xi Jinping witnessed the signing of eight deals in areas such as new energy, mining, and economic and technical cooperation. China is Ukraine's second-largest trading partner. Overall trade between the two countries rose 7.8% year-on-year in the January-to-September period, but bilateral investment lagged behind, Vice Premier Ma Kai said at a business forum.
- U.S. Vice President Joe Biden spent a combined total of five and a half hours with Chinese President Xi Jinping during his China visit, which was overshadowed by China's declaration of an air defense identification zone (ADIZ) over the East China Sea, including the disputed Diaoyu islands. Biden also took up the cause of foreign journalists facing banishment from China for news coverage, publicly criticising Beijing's efforts to pressure reporters.

ONE-LINE NEWS

- Newly-promoted officials will have to publicize information including their families' assets, and their spouses' and children's jobs, incomes and entry and exit records, said Li Xueqin, Director of the Research Division under the Communist Party of China Central Commission for Discipline Inspection (CCDI). Under current regulations, Party and government officials are required to report their private asset information to supervisory authorities, but such information remains unavailable to the public.
- A Chinese-Canadian man has been charged with trying to leak classified information related to Canada's national shipbuilding strategy to China's government. The man, identified as Quentin Huang, 53, is an engineer with Lloyd's Register Canada, which was sub-contracted by Irving, Canada's largest shipbuilder, for design consultation. Irving is overhauling its shipyards in Halifax, Nova Scotia, to prepare for its share of a CAD33 billion contract to build ships for the Canadian Navy and coastguard starting in 2015. Beijing dismissed the spying allegations as "groundless".
- Gambling revenue in Macau jumped 21.3% year-on-year in November after an international boxing match and the annual Grand Prix motor race led to an increase in high-spending visitors. China's only legal casino hub is one of the world's fastest-growing economies thanks to the gambling industry, earning most of its income from visitors from nearby provinces such as Guangdong.
- Liang Jingli, Chairman and Party Secretary of state-owned Guangxi Liuzhou Iron and Steel (Group) Co, is being investigated as the Chinese government extends its crackdown on corruption in the steel industry.
- A two-day forum on "International Dialogue on the Chinese Dream" was held in Shanghai to help understand the meaning and significance of the "Chinese Dream," the catchphrase President Xi Jinping first used on November 29 last year. Achieving the great rejuvenation of the Chinese nation is the greatest dream for the nation in modern times, Xi said. About 100 experts from more than 20 countries attended the event.
- Former Staples China Chairman Jin Weiguo was sentenced to life imprisonment, deprived of his political rights and fined CNY2 million for loan and contract frauds involving more than CNY300 million.
- Chinese authorities have banned shark fin and bird's nest soup from official receptions and told lower level officials they cannot stay in hotel suites on business trips. Cigarettes and expensive alcohol are also banned from official receptions. Government funds should not be used to cover officials' personal recreational visits, a document from the central government said.
- The final death toll from an oil pipeline blast in Qingdao on November 22 is 62, local authorities said. The pipeline, run by state-owned oil giant Sinopec, sprang a leak, causing explosions several hours later. Seven Sinopec executives have been detained by police but authorities have yet to say what caused the accident.

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