法兰德斯 中国商会 FCCC VCKK

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

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FCCC ACTIVITIES

China Information Session: "Assignments from China to Belgium and vice versa: Update on immigration and personal tax aspects" – Wednesday 29 May 2013 – 15h30 – Brussels

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

- Update on recent changes in Belgian and Chinese immigration law
- Recent and upcoming changes in European immigration issues: "What is Europe trying to achieve?"
- Update on recent changes in Belgian and Chinese law on personal taxation
- Highlights and preliminary results of Deloitte's comparative study on the immigration of highly skilled non-EU employees to Europe: Benchmarking Belgium with 29 other countries.

The seminar will be held at KBC BANK and presented by Matthias Lommers, Senior Manager, Erwin Vandervelde, Partner (immigration aspects) and Boris Deraeve, Tax Director (tax aspects).

The aim of this event is to provide sound knowledge and understanding of the aforementioned issues, to enable companies to meet various requirements on a timely basis and avoid losing precious time or wasting resources.

The information session will take place at 3.30 p.m. on Wednesday 29 May at KBC Bank, Havenlaan 2 in Brussels and will be followed by a networking cocktail.

If you are interested to participate, please register online by Friday 24 May 2013 at the latest. Participation fee for FCCC members: €65, non-members: €95.

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

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

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

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

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

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

Full trip: €800, per city: €400. Registration before June 14 on the FIT website.
http://www.flandersinvestmentandtrade.be/acties/2013/09/09/Groepszakenreis-Multisectoraal-China?opendocument

PAST EVENTS

Networking Evening with Chinese Talent at Ghent University – 25 April 2013 – Gent

The Flanders-China Chamber of Commerce, Ghent University and the Province of East Flanders organized a networking evening with Chinese talent studying at Ghent University at the Provinciaal Administratief Centrum (PAC) in Ghent. The networking event presented the opportunity to introduce companies to Chinese students. Mr Patrick Meirlaen, Managing Partner at The Future Alliance and Partner at the International Executive Search Federation (IESF) talked about “Strategies for finding an employer in Europe”. Participating companies were presented, followed by networking between students and business leaders. The event was concluded by a networking reception hosted by the Province of East Flanders. The evening was organized with the support of Flanders Investment & Trade.

Sino-Belgium Business Survey: Are Belgian companies suffering in China or enjoying an excellent year? – 24 April 2013 – Brussels

Last year the Chinese economy expanded by 7.7%, a rate of growth largely seen as a continued ‘slowdown’. How did your company perform by comparison? The results of the 2013 Sino-Belgian Business Survey set the performance of Belgian companies in the right context. When we talk about the growth of Belgian businesses in China are we comparing apples and pears? Equally importantly, how do Belgian businesses feel about the future of their business in China? Moore Stephens Verschelden, together with the Flanders-China Chamber of Commerce, Flanders Investment & Trade (FIT) and the Benelux Chamber of Commerce organized a discussion on the results of this year’s survey with a panel of leading business figures and independent experts on 24 April 2013, 17h at KBC Bank in Brussels.

Following an introduction by Mr Philippe Snel, Chairman Bencham Shanghai, a panel discussion was held, moderated by Mr Andries Verschelden, Partner Moore Stephens Verschelden. The panelists included Mr Tim Van den Bossche, Vice President Global Marketing & Strategy, Agfa Graphics; Mr Filip Goris, Regional Manager China & India, Recticel; Mr Wim Buyens, Senior Vice President Projection Division, Barco; and Mr Thomas Baert, Owner & CEO, Chinafloors. A Q&A session and networking reception concluded the event.

PUBLICATIONS

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

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

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

Trying to write a write a book “Doing Business in China for Dummies” is futile, one of the managers told the Flanders-China Chamber of Commerce. More fundamental than that is an underlying attitude. Respect the Chinese you come into contact with and be interested in their culture. Remember, he added, that you are and will always remain a guest in their country. Above and beyond the usual tips and tricks, the managers telling their story in this booklet show the right attitude to become successful in China.

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

FCCC members can receive one copy free of charge.

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

FINANCE

Income from fees and commissions rises

Chinese banks’ income from fees and commissions increased by 24% in the first three months of 2013 compared with the same period in 2012, a significant improvement on the 17% rise between 2011 and 2012, according to Geoffrey Choi, Financial Services Partner at Ernst & Young Hua Ming. “Such income from intermediary business accounted for only 23% among Chinese lenders, suggesting huge room for further development if compared with international counterparts,” he said. In 2012, net profit growth of Chinese listed banks was 17%, down 12 percentage points from 2011. In the first quarter of 2013, profit growth fell to 13%, compared with 25% during the same period last year, Choi said. Affected by the ongoing interest rate liberalization process, the net interest margin continued to fall. “Banks must continue to optimize their international capital allocation, alter the development mode which seeks profits based on consumption of capital and improve their capacity to accumulate capital,” Choi said. Liu Shiyu, Vice Governor of the People’s Bank of China (PBOC), said earlier this month that the major Chinese banks might see a capital shortage of CNY40.5 billion in 2014 if they kept growth and internal financing at current levels. The Ernst & Young report found that the listed banks had increased client numbers and online/mobile banking transactions substantially last year. By the end of 2012, Industrial and Commercial Bank of China (ICBC) had 315 million electronic banking customers. The proportion of its online business to total transactions has reached 75.1%, while its mobile banking business has increased 54.5% compared with the year earlier, with transaction values jumping nearly 16 times. Online transactions at Bank of China (BOC) rose nearly 33% year-on-year, while the number of mobile banking clients at China Merchants Bank (CMB) surged 115%, the China Daily reports.

Hong Kong Mercantile Exchange suspends operations

The Hong Kong Mercantile Exchange (HKMEx) has suspended activities and handed back its trading license to regulators two years after opening as it had no sufficient cash to cover nine months of operations, a requirement set by the Hong Kong Securities and Futures Commission. The Exchange will however go ahead with a planned USD100 million rights issue and be ready within months to reapply for the trading license. HKMEx Chairman Barry Cheung said the closure would have no impact on investors and that client contracts would be honored. HKMEx was working with LCH.Clearnet to arrange settlement pricing on the exchange's roughly 200 outstanding contracts. Chairman Cheung said the rights issue would solve the Exchange’s financial problems. “This exercise will raise USD100 million. It will be sufficient to meet the SFC's requirements as well as to support the exchange's operations for the next three to four years,” Cheung said. The next few months would be spent redefining strategy, finalizing the rights issue and closing negotiations with potential strategic shareholders in a bid to reapply for the license. The Hong Kong Mercantile Exchange's failure to come up with a viable gold futures business proved to be its undoing as it wilted under competition from more established domestic and international exchanges, market participants say. Originally designed to be a platform for fuel oil futures, the HKMEx ended up being an exchange for gold contracts. HKMEx's daily transaction volume amounted to about USD19.5 million, only a fraction of the daily turnover of USD7.7 billion to USD10.3 billion on its rival, the 103 year-old Chinese Gold & Silver Exchange.

Goldman Sachs earns USD7.72 billion from ICBC partnership

Goldman Sachs is set to raise USD1.1 billion with the sale of its remaining stake in the Industrial and Commercial Bank of China (ICBC), the world's largest bank by assets. Goldman earned net profit of USD7.72 billion on its seven-year investment. The move is the sixth disposal of ICBC shares by Goldman, bringing to an end the strategic partnership the two banks had established. New York-based Goldman bought a 4.9% stake in ICBC for USD2.58 billion before the Chinese bank's initial public offering in 2006. The disposal could ease the capital pressures on Goldman. It also lets the bank lock in its gains at a time when Chinese lenders are set to report slower growth in net earnings as bad loans build up and interest rate deregulation sets in. ICBC’s first quarter net profit climbed 12% year-on-year. The sale by Goldman, despite repeated assurances over the past few years that it was a long-term investor in ICBC, was expected to affect confidence in the shares of Chinese banks, analysts said.

- China’s central government fiscal revenue fell 2.2% in April to CNY535.7 billion from a year earlier, after slipping 0.2% in March. It is the first time that the central government has seen its revenue shrink for two consecutive months since September. The Ministry of Finance attributed the decline to a “very slow” increase in corporate tax, a decline in tariff income from imports, and a high figure last year due to a special profit collection from oil companies. Local governments’ revenue rose 14.7% to CNY607.4 billion, 1 percentage point faster than in March, as housing transactions rose and boosted tax revenue.
- The impact of interest rate liberalization on Chinese banks will be reflected in a further compression of the net interest margin in their results this year, Ernst & Young says. Banks would adjust the structure of their loan portfolios to maintain their margin by lending to small and medium-sized enterprises. This might result in an increase in the amount of bad loans. The asset quality of listed banks remained stable last year, with the average non-performing loan ratio having fallen to 0.92% by the end of the year, compared with 0.97% in 2011.
- China Life Insurance spent CNY1.4 billion on entertaining business partners last year, the most among 252 publicly-listed state-owned companies in China. The insurer’s spending accounted for 0.3% of its business revenue in 2012, under the 0.5% upper limit set by law.
- Visa is gearing up to participate in yuan-denominated business in China, as regulators prepare to release rules facilitating foreign players to enter the domestic market as soon as July. Visa is eager to launch its first single-branded Visa card in China as soon as possible. It has signed cooperation agreements with 25 commercial lenders in China, and there are 80 million dual-branded, dual-currency Visa cards in circulation, even without access to yuan-denominated business.
- Total social financing in the first four months amounted to CNY7.91 trillion, up by more than CNY3 trillion from the same period last year. China’s M2, or broad money supply, had grown 16.1% by the end of April to hit CNY103.26 trillion, well above the official target of 13% growth rate. M2 stood at 199% of GDP, compared to the U.S. ratio of 60% in 2009.

- The People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) have joined the world's major monetary authorities in demanding answers from Bloomberg about access journalists may have to confidential data. They contacted Bloomberg in private and decided against making a public statement. The Hong Kong Monetary Authority (HKMA) said that it was aware of the incident and was looking into the matter.
- Low interest rates and ample money supply overseas are luring more Chinese companies to issue dollar-denominated bonds to refinance debt. Issuers on the mainland and in Hong Kong have sold USD18.8 billion worth of bonds so far this year, more than six times the total for the same period last year, data from Bloomberg show. CNOOC, Country Garden Holdings, Hainan Airlines and China Ocean Shipping have all issued dollar bonds in the first quarter. Companies on the mainland and in Hong Kong have about USD25.2 billion in loans maturing this year, 76% more than last year.
- Loans overdue at least three months grew 6.8% to CNY526.5 billion in the first quarter, with the non-performing loan ratio climbing to 0.96% at the end of March from 0.95% last year, the China Banking Regulatory Commission (CBRC) said. The capital adequacy ratio of commercial banks stood at 12.28% at the end of March, with their assets expanding 17% year-on-year.
- A court in the city of Wenzhou sentenced Lin Haiyan, a 39-year-old businesswoman, to death for illegally raising CNY640 million and misappropriating CNY428 million of that sum. The court said this was the biggest illegal fundraising case in the city so far. Lin set up Wenzhou Xinfu Investment Consulting Co in May 2008, and raised money from more than 20 investors between 2007 and 2011 by promising to offer high returns. She used all the money to buy stocks and futures, which resulted in huge losses. She was exposed at the end of October 2011 when she failed to pay back investors. There are many other smaller illegal fundraising cases in the city, according to Zhou Dewen, Chairman of the Wenzhou SME Development Association.
- Chinese corporate borrowing will probably exceed that of U.S. companies within the next two years, according to Standard & Poor’s. Non-financial institutions will need USD18 trillion of debt during the five years ending in 2017.
- Jin Liqun, Chairman of the Supervisory Board of China Investment Corp (CIC) – the country’s sovereign wealth fund – stepped down to assume the position of Chairman of China International Capital Corp (CICC), succeeding 64-year-old Li Jiange, who has been CICC’s Chairman since 2008. CICC is China’s first joint venture investment bank and a leader in the financial services sector. In the past, Jin served as Vice President of the Asian Development Bank (ADB) and Vice Minister of Finance.

FOREIGN INVESTMENT

New guidelines for investment in West China

The National Development and Reform Commission (NDRC) has revised its policy guidelines to encourage more foreign investment in the industrial upgrade of the country’s central and western regions. The new guidelines, which will become effective on June 10, include details of favorable policies and incentives being offered in mostly labor-intensive industries and service sectors. The guidelines expand the type of eligible foreign investment being encouraged, and added another 173 key target sectors. They now cover a total of 500 types of sectors, across 22 provinces and regions. The vehicle-assembly sector, which was removed in the previous version of the guidelines, has been re-included. However, the new list strictly prohibits any investment into the industrial transfer of highly polluting and high energy-consuming projects in central and western areas. The new set of guidelines replaces a previous version issued at the end of 2008, and is the third version since first being introduced in 2000. In the first four months of this year, the use of foreign funds in central and western areas rose 5.7% and 25.7% respectively, while it fell 1.1% in eastern regions, although the absolute amount was still relatively small. Combined foreign investment in central and western provinces totaled USD19.2 billion in 2012, around 17.2% of total investment, a significant increase on the 4.2% in 2008. Chengdu has become a bridgehead for foreign investors entering the market. According to a survey of 420 U.S. companies operating in China, conducted by AmCham Shanghai, Chengdu is the most popular second-tier investment destination for U.S. companies, the China Daily reports.

Mengniu and Cofco to set up joint ventures with Danone

China Mengniu and Danone agreed to set up a yogurt joint venture. Mengniu, based in Inner Mongolia, is expected to benefit from its new European partner's management experience and product innovation capability, as it seeks to leave food safety scandals behind. For Danone, the investment in Mengniu is its latest effort to expand in China after its decade-long cooperation with Hangzhou Wahaha Group, the largest soft drink manufacturer in China, ended in 2009. Mengniu's share price rose the most in four years after the announcement of the deal. Danone will own an indirect interest of about 4% in Mengniu through forming a joint venture with Cofco, Mengniu's largest single shareholder, and may increase the stake in the future. Danone will own 49% of the joint venture and Cofco the remaining 51%. Danone will also take a 20% stake in a venture with Mengniu for the production and sale of chilled yogurt products. Danone will assign senior executives to assist Mengniu to improve management. It is investing about €325 million in the two projects. Danone is the second overseas partner introduced by Mengniu in the past year. Last June, it signed an agreement to sell a 6% stake to the Danish-Swedish Arla Food and establish a plant with Arla. Mengniu has been involved in several food safety scandals in recent years, the latest being in December 2011, when the cancer-causing aflatoxin M1 was found in some milk products, the South China Morning Post reports.

- China scrapped a total of 24 regulations related to the administration of capital for foreign direct investment (FDI), part of the government's efforts to reduce red tape. The new rules focus on simplifying procedures and regulations for foreign currency registration, the opening and use of accounts, as well as receipt and disbursement of capital and settlements.
- Foreign direct investment (FDI) rose 1.2% in the first four months to USD38.34 billion. Last month's direct investment grew 0.4% to USD8.4 billion. The growth was mainly driven by investment from the European Union, which climbed nearly 30% year-on-year, and that from the United States, which rose 33.2%. However, investment from 10 Asian economies, including Hong Kong, Taiwan and Japan, rose only 0.21%.

FOREIGN TRADE

Dispute arises between China's three arbitration bodies

The dispute between, on the one hand, CIETAC (China's oldest arbitration body established in 1956) and, on the other, SHIAC (the new Shanghai International Arbitration Center) and SCIA (the new Shenzhen Court of International Arbitration), has recently come to a head. The two new international institutional arbitration bodies appear to have evolved out of CIETAC's representative offices in those cities but are now trying to gain their independence. CIETAC adopted new arbitration rules which said CIETAC Beijing would have jurisdiction over arbitrations, unless the parties specifically provided for one of CIETAC's representative offices to arbitrate. But CIETAC's offices in Shanghai and Shenzhen refused to apply the new rules. The dispute also reflects competing financial interests and issues of independence in Shanghai and Shenzhen. During the course of 2012-13, CIETAC Beijing purportedly suspended CIETAC Shanghai and CIETAC Shenzhen and established new secretariats in the two cities. CIETAC Shanghai and CIETAC Shenzhen declared their independence. Both have their own websites, logos and branding, having been forbidden from using CIETAC's. SHIAC adopted its own arbitration rules and panel of arbitrators, effective from May 1. SCIA adopted its own rules in December last year. CIETAC has refused to accept the legality of SHIAC and SCIA or their authority to determine arbitrations. CIETAC arbitration awards have generally received widespread recognition in the courts of China and overseas as a result of CIETAC's reputation and China being a party to the New York Convention (Recognition and Enforcement of Foreign Arbitral Awards). It is not yet entirely clear whether arbitral awards arising out of SHIAC or SCIA will receive the same degree of recognition. Much may depend on whether the courts in Shanghai and Shenzhen recognize orders and awards arising out of arbitrations conducted by SHIAC or SCIA, the South China Morning Post reports.

Grand 10-year development plan for Pudong approved

A 10-year plan for Pudong, or the eastern part of Shanghai, that is grander and bolder than anything that has ever been conceived before, has been approved. The plan encompasses an area of 28 square kilometers, including the Waigaoqiao Free Trade Zone, Yangshan Free

Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. The area is almost the same size as Macao, and its trade volume topped USD100 billion last year. The Shanghai free trade zone is expected to have a bigger impact than development zones in Shenzhen or Tianjin. The project, mapped out at the beginning of this year and approved last week, is the first of its kind in China. It will be submitted to the central government later this month for final approval. The free trade zone plan is one of the Shanghai municipal government's major tasks for 2013. Shanghai's free trade zone is not expected to pose a threat to Hong Kong, which has still more open policies. Zheng Weimin, Researcher with the Chinese Academy of Social Sciences (CASS), said that Shanghai and Hong Kong play different roles in the Chinese economy and their functions are complementary.

China's rice imports expected to surge

Despite its efforts to boost grain yields for the 10th consecutive year, China is expected to become also the largest rice importer this year, overtaking Nigeria. Rice imports this year will surge to 3 million metric tons from 2.34 million tons a year ago, according to a report by the United States Department of Agriculture. Since 2012, "consumption demand for rice in China has exceeded supply", the report said. China's rice imports hovered around 450,000 tons per year over the five-year period that ended in 2011. Analysts said that the country has no shortage of rice supplies and blamed the expected surge in imports on the price discrepancy between the domestic and global markets. The discrepancy is a result of the government's minimum grain purchase price, which aims to shore up domestic grain prices after they declined in the global market due to weak demand and increased rice yields in recent years, analysts added. "The government should allow the purchase price to have some flexibility, so that it fluctuates according to the international market," said Ma Wenfeng, Senior Analyst at Beijing Orient Agribusiness Consultant, one of the industry's largest specialist consultancies. Lured by low global prices, "Chinese companies are very willing to import", Ma added. During the first three months of the year, China's rice imports jumped 192% from a year earlier to 690,000 tons, Chinese official trade data showed. Imports of other agricultural commodities are also expected to increase. The country's soybean imports are expected to rise by 10 million tons from a year ago to 69 million tons, according to the USDA forecast. China's grain output reached 589 million tons in 2012, the ninth consecutive year of increased harvests, the China Daily reports.

Progress in China-Switzerland FTA negotiations

China and Switzerland are to speed up negotiations to seal a free trade agreement (FTA). The most recent China-Switzerland FTA negotiations took place from May 9 to May 11 in Bern, and Song Tao, Vice Minister of Foreign Affairs, said there was very positive progress in the negotiations. China is now Switzerland's largest trade partner in Asia, and Switzerland is the seventh-largest trade partner of China in Europe and its sixth-largest source of foreign direct investment (FDI). In 2012, total trade between the countries reached USD26.31 billion, with China's imports from Switzerland accounting for 87% of the total. Switzerland is one of the first countries that recognized China's market economy status and initiated FTA talks with it. "The FTA between the two countries could be considered a pilot program, because China and the EU may also launch FTA negotiations in the future," said Blaise Godet, Switzerland's Ambassador to China. Mei Xinyu, Researcher with the International Trade and Economic Cooperation Institute at the Ministry of Commerce (MOFCOM), said China and Switzerland have few competing areas so they would not need to make big industrial adjustments after the FTA takes effect.

China warns EU on telecom trade investigation

A threat by the European Union to investigate claims that Chinese telecom companies have been unfairly paid subsidies is further inflaming trade tensions between the two sides, already at odds over solar panels and other products. Shen Danyang, Spokesman for the Ministry of Commerce (MOFCOM), warned the EU against taking measures that would benefit neither side. "The Chinese market is always open, and EU enterprises retain a larger share of the Chinese market than Chinese companies do in the EU," Shen said. "If the EU resorts to a trade investigation with no right to reply, we really doubt its sincerity in resolving trade disputes through negotiations," Shen said. "If the EU insists on launching the trade investigation, it will force China to resolutely defend its legal interests in accordance with World Trade Organization (WTO) rules and Chinese laws, and the consequences would have to be shouldered by the trade dispute initiator." The EU said it is considering to levy duties on the

Chinese telecom-gear makers because it claims they receive government subsidies and sell their equipment in the EU below cost. Huawei said it is disappointed that the European Commission has taken the unprecedented step of deciding in principle to open the first ever ex-officio dumping and subsidy investigations. Dai Shu, Spokesman for ZTE, said his company receives no illegal subsidies to do business in the region. Some European telecom companies, including Ericsson and Nokia Siemens Networks, also said they opposed the EU's move. China exports telecom network equipment worth more than €1 billion a year to the European Union, giving it almost a quarter of the market, the China Daily reports.

- The European Union imposed five-year tariffs up to 57.8% on pipe fittings and ceramic tableware from China.
- China's soybean imports are expected to reach record highs in the coming year, according to forecasts by the China National Grain and Oils Information Center. Imports are expected to hit 66 million metric tons during the September 2013 to August 2014 market year. In 2012, China's soybean imports jumped by 11.2% from the previous year to 58.4 million tons. The U.S. Department of Agriculture predicted China's imports of the beans will jump to 69 million tons during the period. Rising imports are caused by reduced domestic output and price discrepancies between domestic and imported beans.
- Fast yuan appreciation has hurt exporters, the Ministry of Commerce (MOFCOM) said, adding the country's trade outlook is clouded by uncertainties despite the recent upbeat growth. Ministry Spokesman Shen Danyang cautioned against being "overly optimistic" about trade. The yuan has shown sustained appreciation in recent months, with the exchange rate against the U.S. dollar soaring to 19-year highs last month. Shen said a stronger yuan had affected business sentiment, making trading firms reluctant to accept long-term orders for fear of foreign-exchange losses. Of the exporters surveyed by the Ministry, 73.4% forecast their profit might stay flat or even fall this year, according to Shen.
- Local manufacturers in Hong Kong complain that it is taking much longer to collect bills as the appreciation of the yuan and rising costs add to the pressure on overseas buyers, especially those from Europe, who have increased the settlement period from one month to three months. Stanley Lau, Vice Chairman of the Federation of Hong Kong Industries, said 40% of his European customers, who make up around a third of his clientele, are demanding more time to settle their bills.
- Customs officers made their biggest seizure of contraband goods in five years from a commercial vessel in the Pearl River Delta. The HKD60 million haul included branded electronics and endangered species products used in traditional Chinese medicine on which the smugglers were seeking to evade more than HKD14 million in duties. Officers intercepted the river trade vessel shortly after it set off from Black Point in Tuen Mun, Hong Kong, for Humen in Guangdong province.
- A Chinese buyer paid €310,000 for a price-winning pigeon at a pigeon auction in Vosselaar, Belgium. It is the highest amount ever paid for a pigeon, beating the €250,400 Chinese businessman Hu Zhenyu paid for another pigeon in January 2012.
- China has halted imports of New Zealand meat due to a certification dispute. Hundreds of tons of frozen mutton, lamb and beef from New Zealand have been stranded in Chinese ports. China is New Zealand's largest export market and its largest consumer of lamb. China has blocked all New Zealand beef and lamb in the past two or three weeks. Exporters changed the branding on their certificates in March after New Zealand government departments merged. There is no health or safety issue.

HEALTH

Rice sold in Guangzhou contains too much cadmium

Nearly half the rice and rice products on sale in Guangzhou contain too much cadmium, a toxin and carcinogen that can damage the kidneys, a three-month investigation by the city's food safety authorities found. Inspectors from Guangzhou's Food and Drug Administration checked 18 samples from local markets between January and March, and found eight had cadmium levels higher than specified in national food safety standards. The inspectors also checked other types of food, including cakes, sausages, cooking oil and shark fin, and found them all significantly safer than rice. The city government declined to disclose more information about the problematic rice, triggering angry comments on the internet. Many alleged that officials had been bribed by manufacturers to keep quiet. Professor Feng Zhiming, Researcher at the Chinese Academy of Sciences, said the government's effort should be concentrated at the beginning of rice production rather than at the end, in the market, when much of the rice has already been consumed. Feng said the authorities' reluctance to reveal detailed information about the problem, caused by land pollution, could partly be due to the lack of a source-tracing system for agricultural products. Much rice sold in markets bears no brand at all, and even branded products might put rice from different places into one bag. After pressure from the public, authorities revealed that six batches of rice were from Hunan province and two batches of rice noodles came from two processing plants in Dongguan, Guangdong, the South China Morning Post reports. The highest cadmium level – 0.4 micrograms per kilogram of rice, twice the limit of national food safety standards – was found at Taiyang Seafood Restaurant.

- Shanghai's biopharmaceutical industry's output has risen by 15% annually for four years in a row. The industry achieved CNY208.48 billion in output last year. Development of the industry helps cut health costs. Previously, imported hearth stents were sold at CNY35,000, but after home-made stents became available at only one third of the price, the imported ones also dropped to CNY20,000, according to Xu Zuxin, Vice Director of the Shanghai Science and Technology Commission.
- Beijing is stepping up efforts to reduce illegal barbecues, to cut down on roadside air and noise pollution. The smoke from outdoor barbecues is high in fine particulate matter, which poses a severe threat to residents, especially those with heart and lung problems, Dang Xuefeng, Spokesman for the Beijing Bureau of City Administration and Law Enforcement said. Most outdoor barbecues are illegal. Operators of illegal barbecues face fines of up to CNY5,000 and may have their facilities confiscated.
- Finnish healthcare company Biohit sees China as a promising market for Acetium to prevent stomach cancer, CEO Semi Korpela said. Biohit is working to register Acetium in China and already has a distribution partner, Grand Pharmaceutical Co, Korpela said. The prevalence of gastro-intestinal cancers in Asia is higher because of the diet.
- Government measures and favorable weather may be limiting the spread of the H7N9 bird flu virus, as the number of reported cases has dropped sharply this month. The death rate of confirmed cases was 100% in February, 40% in March, and 8% last month. The death toll stood at 35 on May 20.

IPR PROTECTION

No IP complaints at Shanghai Technology Fair

Fair organizers said no IP complaints were filed during the China Shanghai International Technology Fair, a four-day event to mark the creation of a permanent center of technology exchanges. Under the theme of innovation-driven development, intellectual property protection and promoting trade in technology, the fair that started on May 8 attracted more than 28,000 professionals from 36 countries and regions. Eighteen patents were sold and agreements were reached on the rights to 165 others. An Intellectual Property Protection Day was also held during the event.

- Police have detained more than 350 suspects for producing or selling counterfeit products this year. They have cracked 600 cases involving hundreds of fake products including medicines, food, cosmetics and car components, with the value of the counterfeit goods estimated at about CNY800 million. "We are not just targeting the sellers, but working to destroy the whole chain of the illegal business," Cheng Yiping, Director of the Economic Crime Investigation Department of the Shanghai police said. He added that most fake products are not produced in Shanghai but that the city is a major market for counterfeit items.
- Law enforcement officials in Fuzhou city recently seized 11,000 pirated books at a local bookshop that claimed its stock was "100% genuine" in online advertising. The shop mainly sold textbooks and reference books online priced only 10% to 20% cheaper than the full price, so most buyers believed they were genuine copies. The operation sold some 300,000 books since 2009 that generated an illegal income of

more than CNY2 million. The shop owner was detained.

MACRO-ECONOMY

Economy improved mildly in April

China's economy improved mildly in April from the previous month as growth in industrial production and retail sales quickened, the National Bureau of Statistics (NBS) said. But combined with slowing fixed-asset investment, the world's second-largest economy's recovery was softer than expected, analysts said. China's industrial production rose 9.3% from a year earlier in April, up from March's 8.9%. The western region saw the fastest industrial growth rate of 10.8%, 1.4 percentage points higher than the central areas and 1.9 percentage points above the eastern region. Growth in fixed-asset investment declined from January to April from 20.9% to 20.6%. Retail sales grew 12.8% in April, quickening 0.2 percentage point from March, to CNY1.76 trillion. "On the whole, China's performance fell short of expectations, and future risks may emerge especially with more uncertainties at home and abroad," said Li Maoyu, Analyst at Changjiang Securities Co. Zhou Hao, Economist at Australia & New Zealand Banking Group, agreed with Li, saying that the improvement in the headline industrial growth figure is largely due to last year's low base. In the first four months of this year, China's fixed-asset investment rose 20.6% year-on-year, lower than the 20.9% gain in the first quarter. Investment in the property sector jumped 21.1% during the four months, up 0.9 percentage point from that in the first quarter. China's economy grew 7.7% in the first three months, slowing from 7.9% in the final quarter of 2012. The weakening economic growth has triggered calls for tightening policies to be lifted, especially when inflation was relatively flat at 2.4% in April. "Market liquidity conditions will likely be relaxed in the foreseeable future, and we see an increasing likelihood for the central bank to cut rates," Zhou said. Stephen Green, Economist at Standard Chartered, said the bank has cut its outlook for China's 2013 growth to 7.7% from 8.3% previously, the Shanghai Daily reports.

- Premier Li Keqiang called for less political power in the market economy in order to motivate creativity and achieve transformation of the government. Li urged officials to properly handle relations between the government and the market as well as society, delegating unnecessary powers and managing businesses the government is currently in charge of. The focus of government work should be shifted to creating a favorable environment for development, providing quality public services and maintaining social equity and justice, Li said.
- Global manufacturers have picked China as the top sourcing destination outside their home countries, cementing its status as the world's factory, according to a KPMG survey. Respondents from Japan, Germany and Britain, had chosen China as their top sourcing destination after their home bases. The United States chose Canada, followed by China. "China continues to be a magnet for global manufacturing companies, as it remains the fastest growing in the world," said Alex Shum, Partner at KPMG China. Although increasing labor costs and worker shortages have raised concerns that China is losing its edge, economists said its manufacturers could maintain their competitiveness.
- China's electricity consumption increased 6.8% from a year earlier to 416.5 billion kilowatt-hours (kwh) in April, the National Energy Administration (NEA) said. It accelerated from March's 2% growth and a 12.5% drop in February. In the first four months of 2013, China used 1.63 trillion kwh of power, up 4.9% from a year ago. Electricity consumed by the service industry rose the most, up 9.1% from last year.
- President Xi Jinping met about 200 soon-to-be university graduates at a job fair in Tianjin, in what was viewed as a sign of concern for nearly 7 million students trying to enter the labor market. Xi dropped by several employers' stalls and asked about the current job market situation. He was quoted as saying that only economic development could generate employment and solve the employment problem.
- China has limited room to use government spending and policy stimulus to boost its economy, Chinese Premier Li Keqiang said. He added that though the Chinese economy faces considerable headwinds and uncertainty, China should allow market forces to do their work. If there is an over-reliance on government-led and policy driven measures to stimulate growth, not only is this unsustainable, it would even create new problems and risks, according to the Chinese Premier. He made the remarks at a Chinese government meeting.

- More than two-thirds of business leaders surveyed by Accenture on behalf of BusinessEurope said China would reach or pull ahead of Europe in innovation by 2023. Some Chinese companies such as Huawei, the telecoms equipment maker, are drawing level in innovation capability and gaining share in Europe. Some 61% of those surveyed said they feared Europe would struggle to recover from its economic crisis for at least three years.
- JP Morgan Chase & Co cut its forecast for China's 2013 GDP growth to 7.6% from its previous 7.8% estimate. China's industrial output and fixed asset investment growth were both weaker in April than analysts expected. Inventories built up quickly in some major industrial sectors, such as steel, machinery and automobiles, suggesting that the economy may face another round of destocking pressure in the coming quarters, JP Morgan Chase added.
- The central government published a list of items that no longer require its approval, or have been delegated to lower-level authorities. Of the 133 approval requirements to be canceled, 117 were posted on the government website, while the remaining 16 are on hold pending law amendments or are to remain state secrets. A host of items previously subject to central government approval are to be delegated to local governments, including investment in wind power plants, hydropower stations on some rivers, potash fertilizer plants, rare earth processing mills and construction of oil and gas pipelines.
- Taiwan's export orders fell 1.1% year-on-year in April, shrinking for a third month in a row, though orders from the United States and the mainland rebounded. Taiwan's government has said it would cut this year's economic growth forecast because of the sluggish export data. Export orders fell 6.6% year-on-year in March and 14.5% in February.

MERGERS & ACQUISITIONS

XD Group in talks to buy Prolec GE

China XD Group, a state-controlled power equipment maker, is in talks to buy Prolec GE Internacional, General Electric's joint venture with Mexico's Xignux, for as much as USD1 billion. GE owns 49.99% of Prolec GE. GE last year paid USD536 million for a 15% stake in XD Electric, China's biggest maker of power transmission and distribution equipment. The companies also agreed to create a China joint venture. XD Group, founded in 1959, has more than 70 subsidiaries and 22,000 employees.

- American International Group (AIG) reached an agreement with a consortium of Chinese investors to extend by one month the deadline to complete the sale of AIG's plane leasing unit. AIG or the acquirers may terminate the deal for International Lease Finance Corp if it hasn't closed by June 14.

PETROCHEMICALS

Financial incentives to help shale gas exploitation

Financial incentives to explorers of shale gas would help them cope with the challenges of exploiting the gas, Lamar Duhon, Vice President of Business Development in Asia at U.S.-based oil services firm Halliburton, said. "Some of these challenges are within the government's control, and it has signaled a desire to accelerate unconventional energy development, specifically with the Ministry of Finance's operator production incentives," Duhon said in an interview with the South China Morning Post. The Ministry said last November it would give shale gas producers a subsidy of CNY0.40 fen per cubic meter of gas sold. The handout lasts until 2015. This amounts to 35% of PetroChina's ex-gas-field selling price last year, or CNY1.13 per cubic meter. The firm produces about 70% of the nation's output of the gas. Industry executives highlighted a water shortage, a lack of entrepreneurship in the state-dominated industry, a lack of private mining rights, a high population density, and underdeveloped gas pipelines as impediments to shale gas exploitation in China. China has the world's largest recoverable shale gas resources, some 36 trillion cu m, according to the U.S. Energy Information Administration (EIA), about 50% more than U.S. reserves. Duhon said some of the challenges facing China, such as water shortages, can be overcome with technology. He said Halliburton had the technology that could cut the amount of water required for fracturing in North America by half. He declined to say whether Haliburton would set up a joint venture in China.

- China will probably commission additional storage sites for its strategic petroleum reserve this year, boosting crude demand, the International Energy Agency (IEA) said. China will add 245 million barrels of capacity in the second phase of its emergency stockpile plan, up 45% from the IEA's original estimate of 169 million barrels. China is building emergency oil reserves equivalent to 100 days of net imports before 2020 in three phases to lessen the risk of supply disruptions.
- PetroChina Co dropped a bid to acquire coal-seam gas explorer WestSide Corp as the strong Australian dollar and rising costs discourage resources projects in the country.
- Kunlun Energy, PetroChina's gas distribution and infrastructure unit, plans to invest HKD22 billion this year building gas pipelines and liquefied natural gas (LNG) processing plants, as more petrol- and diesel-powered vehicles are converted to run on natural gas. With the new infrastructure, Kunlun aims to increase total gas sales, both piped and liquefied, by an average of 30% annually over the next five years. Kunlun sold 660 million cubic meters of LNG last year. Kunlun's daily gas liquefaction capacity is expected to double by the end of the year, from 4.53 million cu m at the end of 2012 and double again by the end of 2014.

REAL ESTATE

Less panic buying, market stabilizing

The value of new home purchases in China rose at a slower pace in the first four months with home seekers feeling less panicky in April compared to a hectic March. Sales of new residential properties, excluding government-subsidized affordable housing, jumped 65.2% from a year earlier to CNY1.69 trillion in the first four months, compared with the 69% annual growth registered in the first quarter. By volume, new home purchases climbed 41.1% to 268 million square meters during the four months, slightly down from the first quarter's 41.2% growth rate. "Panic buying and selling began to cool down, with markets, particularly in big cities, seeing signs of stabilizing," said Lu Qilin, a Shanghai Deovolente Realty Co researcher. In April, new home sales fell to CNY494.6 billion from CNY569.4 billion in March, while they declined to 79.3 million sq m from 94 million sq m in March, according to the National Bureau of Statistics (NBS). The Chinese government rolled out an array of measures on March 1 in its latest bid to tighten controls on the property market amid expectations of rising housing prices. A 20% tax on capital gains triggered a wave of selling and buying, the Shanghai Daily reports.

Grade A office rents under pressure

China's grade A office rent is under pressure this year because of its already high base, weakening demand and rising supply in some cities. Beijing grade A office rents edged downward for the first time in three years, as demand slowed, according to a report by Jones Lang LaSalle (JLL). Rents in the overall market edged down 2% quarter-on-quarter in the first quarter to CNY337 per square meter per month, the first decline since the third quarter of 2009. The drop was more pronounced in the central business district (down 3.7% quarter-on-quarter), where resistance to high rents was more acute, although mild rental growth remained in place in submarkets where upcoming lease expiries are less of a concern. "Some tenants are reviewing their office space requirements given the huge rental growth witnessed in recent years," said Eric Hirsch at JLL in Beijing, adding that "the chances of seeing further rental compression in the next one to two quarters are high." According to Savills, although the city-wide vacancy rate is expected to level out at 3% by the end of 2013, the lowest level in the past 15 years, rents could fall by roughly 2% to 3%, as tenants continue to relocate to non-prime locations or are forced to squeeze their office space in prime locations because of deteriorating affordability, making it hard for landlords to apply rental increments. Grade A office rents in Beijing reached CNY318.8 per sq m per month by the end of the first quarter, with quarter-on-quarter growth constrained to just 0.4%. Overall rents in Shanghai's grade A office market remained flat at CNY8.9 per sq m per day this quarter. Pudong's grade A office rents exceeded Puxi rents for the first time since the third quarter of 2010, according to JLL. Rents continued to grow steadily in Pudong this quarter, rising by 1.3% quarter-on-quarter, but in Puxi, rents declined slightly by 0.3%. Pan Shiyi, Chairman of property developer SOHO China, said there is no bubble in the commercial property market in Beijing and Shanghai yet, but there are rising risks in second-tier cities with high vacancy rates, such as Chongqing and Xian. According to CBRE, construction of 40.8 million square meters of office space will be completed in the next four years across China's 14 major cities, fueling worries about oversupply in some second-tier cities. Between 2013 and 2016, the total stock of quality office space in the 14 major cities will increase 80%, or 40.8 million sq m, the China Daily reports.

- Chinese developers are still on track to meet their sales targets for 2013, said an industry report by Standard & Poor's Ratings Services. "The developers' sales targets may appear aggressive, but the strong sales so far in what is usually a slow selling season suggest it could be mission possible," said Standard & Poor's Credit Analyst Bei Fu.
- Property prices increased more slowly last month compared to March. Prices rose in 67 of the 70 major mainland cities it regularly monitors. Two recorded lower prices, while prices in the other city were flat. On average, prices rose 0.61%, against 0.65% in March. But on a year-on-year basis, average new-home prices rose 4.9% in April, higher than the year-on-year increase of 3.6% recorded in March. The average price of a new home in Beijing climbed 1.8%, against 2.7% in March. In Shanghai, prices rose 2% against 3.2% in March, while the figures for Guangzhou and Shenzhen were 2.1% and 1.8%, respectively.
- The Chinese government has ordered a nationwide inspection to find out if any new luxurious government buildings have been built since the new cabinet was installed in March. With a gross floor area of 370,000 square meters, the provincial office complex in Jinan, capital of Shandong province, is the largest government building in China and reportedly second in size only to the U.S. Pentagon. It cost CNY4 billion to build last year.
- An increasing number of foreign real estate funds and state-owned enterprises are channelling their capital into investment properties in Shanghai. Their buying is driving up prices and compressing the annual investment yield to a level close to Hong Kong's. Two foreign funds are in talks to buy two prime office buildings – Cross Tower and Central Plaza – involving a total value of CNY5 billion. One source commented that Shanghai's office prices are now becoming as expensive as those in Hong Kong. Shanghai recorded CNY27.78 billion in total transactions for deals larger than CNY500 million last year.

RETAIL

KFC's sales falling in China

Sales of fast food giant KFC in China slumped an estimated 36% last month, according to parent Yum! Brands, as consumers shunned chicken due to the H7N9 bird flu outbreak. Same-store sales fell an estimated 29% in April. With more than 4,200 KFC outlets, China is a key market for Yum. The company recorded a 20% year-on-year fall in its China sales in the first quarter. KFC said it had taken measures to ensure food safety and win back trust from customers. Yum generates more than half its revenue in China and, as of 2011, had a 39% share of the country's CNY86.9 billion fast-food industry, according to the most recent figures by research firm Euromonitor. Its nearest rival, McDonald's, had 15.6%.

Growth in sales of consumer goods to slow

The annual growth in sales of consumer goods is expected to slow this year to 13% year-on-year, according to the 2013 China Consumer Market Development Report of the Chinese Academy of International Trade and Economic Cooperation. Consumption will mostly be supported by private consumers rather than by public funds. Fewer government stimulus policies will back consumption this year and the government measures to crack down on corruption will curb overspending and the sales of luxury goods. Consumption of food and beverage products is expected to remain strong, boosted by the policies to increase incomes for lower and medium-income earners. Sales of clothing products will also grow rapidly, with more online transactions and more exposure expected for Chinese brands. The report also found that high-end caterers have suffered the most from the government's policies to crack down on waste and lavish spending. In Beijing and Shanghai, the revenue of high-end restaurants dropped 35% and 20% year-on-year, respectively, during the Spring Festival period. Sales of luxury liquor brands such as Wuliangye and Moutai have also been affected and demand for high-end liquor will be severely hit, but the report estimated that average liquor consumption will continue to grow. The fastest sales growth will be seen in the furniture and decoration materials sector, which is expected to increase 20%, supported by demand from second- and third-tier cities. The telecom and jewelry sectors, which grew at the fastest rate since 2011, have seen weaker sales since last year, despite a recent rebound in jewelry sales due to the lower prices of gold. The growth of auto and electronic appliances sales is also expected to remain sluggish this year. Urban consumption, which accounts for 80% of China's overall consumption, is expected to grow at a slower pace than consumption by rural residents, the China Daily reports.

- Hong Kong casual-apparel retailer Giordano International closed 163 stores on the mainland in the first quarter this year. Sales declined 5% year-on-year to HKD473 million.
- The campaign to curb extravagant spending by officials and rising material costs took a toll on China Resources Enterprise, which saw a 61% drop in net profit in the first three months of the year to HKD512 million from a year earlier. Stripping out the effect of paper gains from property revaluation and disposals of investments last year, profits at its core business dropped 8.6% year-on-year. The company operates Pacific Coffee shops and has a 51% stake in Snow Breweries.
- Givenchy, a unit of French luxury goods firm LVMH, plans to triple the number of its stores in China over the next two years as other luxury brands scale back their expansion plans amid the anti-corruption campaign led by President Xi Jinping. Sebastian Suhl, Chief Executive of Givenchy since March last year, said the fashion brand would speed up its bold expansion plan by increasing the number of outlets to 30 from about 10 in major cities such as Shanghai and Tianjin.
- Wealthy mainlanders used to stop over in Hong Kong for a few days to pick up a Louis Vuitton bag or a wristwatch for up to 40% less than in Beijing or Shanghai. These well-heeled tourists have now been overtaken by bargain-hunters that stay for a few hours and spend more at shops like Zara and malls such as Citygate Outlets, turning Hong Kong into a must-be location for retailers. Mainlanders were the largest single group of tourists to Hong Kong last year. Of the 35 million who visited, 20 million came and left the same day, an increase of more than a third on 2011.

SCIENCE & TECHNOLOGY

Probe launched to study upper atmosphere

The National Space Science Center announced a probe was launched into the upper reaches of the earth's atmosphere. It will investigate energy particles and magnetic fields in the ionized stratum and near-earth space. Some people thought they had seen a UFO or witnessed a military experiment. The flight was designed to collect raw scientific data from different layers of the atmosphere.

STOCK MARKETS

Dividend guidelines only partly observed

Only 60% of China's biggest listed-companies met the dividend guidelines laid out by the Shanghai Stock Exchange earlier this year. Of the members of the FTSE A50 index, only 30 companies paid a dividend of over 30% during the most recent earnings season, according to data compiled by Markit. Those that met the requirements would be given preferential treatment when seeking approval for financing or takeover activity, while those that fell short would need to provide a full explanation in their annual reports.

- Chinese controlled-New Zealand dairy company Synlait Milk is planning a public share offer to fund expansion, the construction of a new packaging plant, and to repay debt. The company is 51%-owned by China's Bright Dairy and Food; Synlait, a private company grouping local investors; and Japan's Mitsui. Synlait operates a milk processing factory on New Zealand's South Island making milk powder and infant formula, which is sold through Bright's Chinese outlets. It reported a net profit of NZD6.3 million in the year to July 31 last year.

- Shares of coal miners fell after China ordered the suspension of production at coal mines in Sichuan province following a mine explosion that killed at least 28 workers. Some analysts were concerned the suspension could spread to other coal mining provinces like Shanxi, which would have an even bigger impact on major producers' earnings. Coal producers' shares have been among the worst performers on the Hong Kong stock market this year, as slower economic growth in China affects demand. Sichuan plans to close 500 small coal mines this year.
- Shanghai Jahwa United Co, a cosmetics maker, suspended trading on the Shanghai Stock Exchange after Ge Wenyao, Chairman of Shanghai Jahwa Group, the parent of Jahwa United, was removed from office. Media reported boardroom infighting between Ge and Jahwa's investor Ping An Insurance (Group), China's second-largest insurer. Zhang Liqing, Deputy General Manager of China Ping An Trust, was appointed the new Chairman of the group. Ge will remain Chairman of the listed arm, Jahwa United.
- In the second week of May, 13 companies joined the queue of more than 700 applicants waiting for the regulator's review of their initial public offering (IPO) applications. Analysts expect a resumption of IPOs to be delayed until after June because of the economic environment, the China Securities Journal reported. The China Securities Regulatory Commission (CSRC) last approved an IPO in October 2012. By May 13, there were 745 companies in the queue, down from more than 800 in late 2012.
- Hong Kong-listed companies have issued almost 50 warnings over the past month about substantial profit declines or losses. Of the 1,558 listed companies on the main board and Growth Enterprise Market, 48 issued profit warnings in the month to May 14, compared with 42 profit warnings issued for the same period last year. The warnings have alerted investors that earnings are likely to be disappointing, with some expecting a pessimistic outlook for the rest of the year.
- The State Administration of Foreign Exchange (SAFE) granted a net USD137 million in new investment quotas to overseas institutions in April, the smallest monthly amount since September 2011. The figure is a big drop from the USD910 million of quotas SAFE granted to 11 institutions in March under the Qualified Foreign Institutional Investor (QFII) scheme.

TRAVEL

First Dreamliner awaiting final certification

China Southern Airlines or Hainan Airlines will receive China's first Boeing 787 Dreamliner aircraft within weeks. The jet is waiting for final certification from the Civil Aviation Administration of China (CAAC), said Marc Allen, President of Boeing China, at a forum in Sichuan Province where some parts of the 787 are made. Allen said Boeing's deliveries to Chinese airlines will rise 60% this year compared to 2012. Deliveries of the Dreamliners have yet to resume since they were suspended in January after regulators grounded the worldwide fleet of 50 planes following two separate incidents in which lithium-ion batteries overheated on the planes. The regulators last month approved a redesigned battery system that adds more protection against fire. Hainan Airlines, which ordered 10 Dreamliners, plans to use the aircraft on its new China-U.S. route. "The Dreamliner will be used on our Beijing-to-Chicago route, which will be launched in September," said Wang Yingming, President of Hainan Airlines Co. Airbus, Boeing's main rival, is working on its A350 XWB jetliners, which are meant to compete with the Dreamliner. The A350 XWB has received 10 orders from Air China so far.

UK to simplify visa procedures for Chinese travelers

The UK will work with Chinese tour operators to make the application process for a British visa easier for group visitors. The pledge came after Britain confirmed it will not incorporate its tourism visa application process for Chinese visitors with that for Schengen Area countries. British companies claim the UK is losing Chinese tourists to Schengen countries because it requires a separate visa. France currently receives 25% to 50% more Chinese tourists than Britain. One change is the introduction of a service for applicants who want to retain their passports while their British visa applications are still being processed, to enable them to apply for Schengen visas simultaneously. Another is the introduction of a mobile biometric service for business travelers. Still, Chinese visitors often consider it easier to travel to multiple destinations on the continent rather than to the UK as a single destination. About 150,000

Chinese tourists visit the UK every year, but Britain wants to raise the number to 500,000 by 2015. According to the China Outbound Tourism Development 2013 report, released by the China Tourism Academy, the number of outbound visits exceeded 83.18 million in 2012, and is expected to reach 94.3 million this year, a year-on-year increase of 15%. Overseas spending by Chinese tourists is forecast to hit a record USD117.6 billion this year. In 2012, the UK Home Office received 296,795 visa applications from Chinese nationals worldwide.

- Xian-based Young Pioneer Tours said it has obtained permission from North Korea for Westerners to make day trips to the border city of Sinuiju, which so far has been open only to Chinese tourists. Westerners can already visit North Korea on weeklong organized tours, at an average cost of USD1,300 per person, but day trips would cost considerably less. Sinuiju is connected by bridge to the Chinese city of Dandong across the Yalu river.
- During the three-day May Day holiday, from April 29 to May 1, about 400,000 mainlanders visited Hong Kong, a 50% increase from the same period last year, according to the Hong Kong Tourism Board. Jewelry and cosmetics stores did a brisk business. The continued strength of the yuan has played a major part in the Hong Kong shopping boom.
- Police are investigating telephone threats that led to the grounding of five Shenzhen-bound flights, although none was in actual danger. The Civil Aviation Administration (CAAC) said the threats constituted the crime of transmitting “false terrorist information” and suspects were being pursued with all available resources. The flights were operated by Shenzhen Airlines, China Eastern Airlines, and Juneyao Airlines and originated in Shanghai, Lanzhou and Nanjing. Three of the flights made emergency landings and the others were delayed.
- Vice Premier Wang Yang said the bad manners and uncivilized behavior of some Chinese tourists were harming China's image overseas. He singled out for criticism “talking loudly in public places, jay-walking, spitting and willfully carving characters on items in scenic zones”. Improving the civilized quality of the citizens is the obligation of governments at all levels, he said.
- A new policy that allows citizens of 45 countries to stay in Shanghai for 72 hours without a visa has benefited more than 3,800 people since it took effect on January 1. Industry professionals said the program still has room for improvement as it is still low compared with the total number of inbound travelers. They called for more publicity about the policy as many transit passengers did not know about it. They also urged better promotion of the city as an international transfer station.
- China Railway Corp, the spin-off from the now-defunct Chinese Ministry of Railways (MOR), suffered an after-tax loss of CNY6.88 billion in the first quarter, compared with an after-tax profit of CNY196 million for the whole of 2012. Revenue amounted to CNY236.21 billion in the first quarter. The firm plans to issue CNY20 billion of five-year bonds to finance rail construction, the purchase of rolling stock and for general working capital. China Railway's fixed-asset investment of CNY650 billion this year includes CNY520 billion of rail construction spending. Some 5,200 km of railway will be built this year.
- More than 40% of Chinese employees do not get paid leave, according to a national survey of people’s leisure time and vacations by the National Tourism Administration (NTA). Chinese employees get only 21 days of paid leave annually, including national holidays. Of the 60% of Chinese employees who get paid leave, only 31% are able to take it or arrange it when they choose. In February, the Chinese government published a guideline to promote paid leave, aiming to boost domestic consumption.

VIP VISITS

Greece’s Prime Minister Samaras visits China

Greece’s Prime Minister Antonis Samaras paid a four-day visit to China hoping to attract investment and promote the export of Greek products. He visited Beijing, Shanghai and Hangzhou and held talks with his Chinese host, Premier Li Keqiang. Samaras was accompanied by four Ministers and 60 Greek businesspeople.The two Premiers officiated at the signing ceremony of cooperation documents on trade, investment, shipping and agriculture. “Greece’s relations with China have been good for years. It is now important to further develop specific collaboration agreements regarding investment and exports," Deputy Minister for Development Notis Mitarachi said. In 2008 Cosco acquired a stake in the main Greek port of Piraeus near Athens. Chinese investors are also interested in participating in the privatization of Athens international airport. Bilateral commerce between the two countries, negligible in the 1970s, jumped to €3.29 billion in 2010. There was a 50% increase in the sale of Greek olive oil in China in the first half of last year and a 1,175% increase in the sale of Greek wine between 2009 and 2011. The Greek-Chinese Chamber of Commerce and Industry estimates that between 60,000 and 100,000 Chinese tourists visited Greece in 2011. "Greece can become a real gateway for investment and trade flows between China and Europe," Samaras told a Greek-Chinese business forum. Chinese President Xi Jinping told Samaras that China supported European integration and was prepared to work with Greece – which will hold the rotating EU presidency in 2014 – to push China-Europe relations.

Li Keqiang visits India on first trip abroad as Premier

On May 19, Premier Li Keqiang kicked off his first overseas trip since taking office, going to India, Pakistan, Switzerland and Germany during the week-long tour. Li's maiden trip is expected to be dominated by India, with Beijing wary of India getting closer to the United States. One of Li's core messages to New Delhi will be that the two rivals can be good neighbors. Premier Li Keqiang held talks with his counterpart Dr Manmohan Singh in New Delhi and witnessed the signing of eight cooperative agreements covering areas including agriculture, water resources and sewage management. China is India's second-largest trading partner. Bilateral trade reached USD6.65 billion in 2012 and is expected to reach USD100 billion by 2015. Jiang Jingkui, Director of the Center of South Asian Studies of Peking University, said economic cooperation between the two neighbors, which together have 40% of the world's population, has lagged far behind their potential. If well developed, this will give "a strong impetus" to the world economy, Jiang said. Sun Shihai, Expert on Indian studies at the Chinese Academy of Social Sciences (CASS), said that in 2025 India will have about 130 million extra workers, providing an opportunity for China's manufacturing sector troubled by surging labor costs at home. Li will also go to Pakistan, Switzerland and Germany during the nine-day tour, which ends on May 27.

- China and Mozambique vowed to deepen economic cooperation, President Xi Jinping said in a meeting with visiting Mozambican President Armando Guebuza. The bilateral trade volume reached USD1.34 billion in 2012, up 40% from 2011. China waived Mozambique's mature debts of CNY294 million that were due by the end of 2005 and started building a national stadium. The Mozambican President is in China to attend the World Cultural Forum in Hangzhou, Zhejiang province.

ONE-LINE NEWS

- Liu Tienan, 59, was dismissed as Vice Chairman of the National Development and Reform Commission (NDRC), and is under investigation for suspected "grave discipline violations", an indication of corruption. Information about his official activities on the NDRC website has not been updated since November 1. Liu was Director of the National Energy Administration (NEA) from December 2010 to March this year. Accusations against Liu were first made in December by Luo Changping, Deputy Editor of Caijing magazine, who posted the allegations on his microblog.
- The internet contributed 12% of the clues leading to corruption probes, or 300,100 pieces of information, received by the Communist Party's Central Commission for Discipline Inspection (CCDI) and the Ministry of Supervision from 2008 to 2012.
- The Arctic Council agreed to admit China and India as observers. The organization, which coordinates Arctic policy, is gaining clout as sea ice thaws to open up new trade routes and intensify competition for oil and gas – estimated at 15% and 30% respectively of undiscovered reserves. China has been active in the polar region, becoming one of the biggest mining investors in Greenland and agreeing on a free trade deal with Iceland. Shorter shipping routes across the Arctic Ocean would save its companies time and money.

QUOTES OF THE WEEK

"I think the fact that the EU is in a negative growth spiral cannot be divorced from their trade actions with China. At this time of job losses and economic hardship they want to demonstrate to their constituents that they are tough in the face of any challenges from China. The EU must be careful in not overplaying its hand. China understands politics but they don't like being put on the public spot, especially if it runs the risk of losing face publicly. If they decide to fight back, then the EU might be facing a lose-lose scenario."

Sergio Marchi, President of the Marchi Group management consultancy and former Canadian International Trade Minister and Ambassador to the World Trade Organization (WTO), quoted in the South China Morning Post, May 20, 2013.

ANNOUNCEMENTS

Prince Albert Fund: "free" talent for a Belgian company in Asia

The Prince Albert Fund is offering the possibility to implement an international business development project for a Belgian company at a substantially reduced cost. In the past couple of years several companies have availed themselves of this opportunity, including Barco, UCB, Sarens, Solvay, Vyncke, Electrawinds, 3E, …

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