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FLANDERS-CHINA CHAMBER OF COMMERCE
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FCCC ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES SUPPORTED BY FCCC

EC2 Eurumqi Demo Zone: Approaching the Projects - EC2 Alliance Trade Mission to Urumqi – 17 June 2013 – Urumqi

The Europe-China Clean Energy Center (EC2) and Xinjiang Xinzi Consulting Co are organizing the event “EC2 EURUMQI DEMO ZONE: Approaching the Projects | EC2 Alliance Trade Mission to Urumqi”, in collaboration with the Delegation of the European Union to China and the Energy Research Institute of the National Development and Reform Commission (NDRC), on Monday, June 17, 2013, from 11:00 to 19:00 at the Yindu hotel in Urumqi.

The capital city of the Xinjiang Autonomous Region, Urumqi, is implementing an ambitious plan to reshape the structure of its industry and transform its energy sector in order to combat air pollution and reduce greenhouse gas emissions. EC2 is providing recommendations to the city on technological innovation, low-carbon urban planning and circular economy planning; introducing successful technologies in collaboration with EU cities and industries; and establishing a methodology for replication and dissemination in other cities in Western China.

This event is supported by of the European Commission Directorate General of Energy, China National Energy Administration and the Development and Reform Commission of Urumqi Municipality. Its objective is to present the demonstration projects that will be included in the EC2 Demo Zone in Urumqi based on Urumqi's energy conservation and circular economy development plans. European and Chinese companies and players in the field of clean energy and circular economy are invited to start discussions on technological cooperation and business opportunities arising from the green development of Urumqi.

The event is organized in two parts. The morning session (from 11:00 to 14:00) will include a presentation of Urumqi's energy development outlook and investment environment as well as a presentation of the EURUMQI Demo Zone and related projects. The afternoon session (from 15:30 to 19:00) will focus on a number of selected projects, allowing businesses, technology providers and local project developers to establish collaboration relationships. The list of the projects will be available upon request to EC2 from June 6.

Register for the event by Friday, June 12, 2013, at the latest by sending the filled registration form to info@ec2.org.cn. Registration does not automatically guarantee participation in the event. You will receive a final confirmation via e-mail shortly after registering. Participation in the event is free of charge. However, any expenditure related to travel and accommodation will not be reimbursed and must be borne by the participants. For more information: info@ec2.org.cn.

Mission for growth to China – 18-20 July 2013

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

Preliminary Programme

Thursday 18 July - Beijing

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

Friday 19 July – Beijing and departure to Guiyang

- A.M. Matchmaking event organized with the help of EEN Network (local Chinese EEN contact points supported by their experienced European mentors from BE, DK, NL...)

with important participation of Chinese companies (including SMEs). VP Tajani could pop up for a brief speech.

- Continuation of political meetings
- P.M. – Departure to Guiyang
- Evening - Welcome banquet by authorities

Saturday 20 July – Guiyang

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

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

PAST EVENTS

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

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

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

PUBLICATIONS

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

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

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

Trying to write a book "Doing Business in China for Dummies" is futile, one of the managers told the Flanders-China Chamber of Commerce. More fundamental than that is an underlying attitude. Respect the Chinese you come into contact with and be interested in their



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

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

FCCC members can receive one copy free of charge.

List of interviews (companies in alphabetical order):

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

EXPAT CORNER

Beijing the world's 24th most expensive city for expats

Hong Kong has become a little bit cheaper for expatriates to live in. It dropped one place to become the 38th most expensive location in the world for expatriates – although it remained in 10th place among Asian cities, according to a bi-annual survey by ECA International, looking at a basket of consumer goods and services in more than 400 cities. In Asia, Hong Kong was cheaper than Singapore, Beijing, Shanghai, Seoul and Tokyo, which ranked first for the second year in a row. Beijing was ranked 24th in the world, Shanghai 26th and Singapore 36th. Average prices in Hong Kong's basket rose 3.9% from the same period last year, following a 6% rise from 2011. Higher inflation in mainland China tends to have a knock-on effect on Hong Kong, said Lee Quane, ECA International's Regional Director for Asia. Currency fluctuations played the biggest role in moving countries up or down the list on this year's survey. Tokyo, which ranked first last year, fell to sixth worldwide this year and was overtaken by Oslo. The survey did not take the cost of accommodation into account.

FINANCE

China to launch deposit insurance system

Conditions are ripe for China to launch a long-awaited deposit insurance system after a consensus was reached within the government, according to the central bank's 2013 financial stability report. "We are ready in various aspects to set up a deposit insurance system. After numerous research and debates, all sides have reached consensus and we will kick off the scheme at a proper time," the report said. The People's Bank of China (PBOC) is expected to release the full report in the coming months. The new insurance system is also seen as laying a foundation for interest rate liberalization, as a market-oriented interest rate would force banks to relax built-in interest rate margins and could put depositors at risk. Deposit insurance programs protect bank depositors by guaranteeing that a certain level of deposits can be paid, even if a bank goes bankrupt and cannot pay them.

Merit-based promotion seen at CBRC

The appointment of Yang Jiacai as Assistant Chairman of the China Banking Regulatory Commission (CBRC), instead of Liu Chunhang – the son-in-law of former Premier Wen Jiabao – is seen by analysts as an indication that President Xi Jinping favors promoting cadres based on merit rather than connections. Liu belongs to the category of "reserved officials" from which the Communist Party picks candidates for top-level posts. Liu joined CBRC in 2006 after working abroad for investment bank Morgan Stanley and consultancy firm McKinsey. He obtained a doctorate in economics from Oxford University. Yang was appointed to his previous job as Director of the CBRC's General Office less than a year ago. The job of Assistant Chairman is considered a stepping stone to the post of Vice Chairman at the CBRC, which carries the equivalent government rank of Vice Minister. Industry watchers say the promotion signals new thinking in the appointment of middle and senior level officials.

- China has blocked MasterCard from processing credit card transactions in renminbi. The People's Bank of China (PBOC) ordered online payment platform EPayLinks to stop supporting renminbi-settled credit cards in partnership with MasterCard. "No payment institution is allowed to cooperate with foreign card companies in developing cross-border payment businesses involving renminbi bank accounts or renminbi payment accounts," the Chinese central bank ruled. China is among the world's fastest-growing credit card markets, with 46 million cards issued in the country last year.
- Some analysts are worried that China's credit risks are growing as debt is producing less GDP. While growth in the first quarter cooled to 7.7% from 8.1% a year ago, this was achieved in part by a 58% rise in aggregate credit. On that basis, every dollar borrowed in China is now producing only 60% of the growth it would have generated a year ago. Since 2009, credit growth has exceeded nominal growth in GDP in every quarter save one. There are strong indications that loans aren't being repaid but are being rolled into new loans, a classic credit bubble sign.
- The Bank of Dalian was on the list of enterprises barred from proceeding with their attempted IPO application. The annual report of the bank showed that its net profit in

2012 increased by 1.59%, much lower than the average for the industry. Most commercial banks that applied for an IPO saw profit growth of 20%.

- China's four biggest banks extended the lowest amount of new loans in five months in May amid weak credit demand. The Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), the Agricultural Bank of China (ABC) and the Bank of China (BOC) lent CNY208 billion of new loans last month, the lowest level so far this year, Shenyin and Wanguo Securities said. They normally account for 30% to 40% of the country's total lending.
- Shanghai Pudong Development Bank recently unveiled China's first proprietary bank card that is integrated with a cell phone SIM card. The product is the result of six years of joint efforts by the bank and China Mobile. The card allows its holder to conduct many financial transactions without going to the bank. Users of cell phones installed with such cards can also pay bills on more than 1.2 million special POS machines nationwide with the "QuickPass" label.
- The problem of bad loans is believed to be severe for China's 6,555 microcredit firms, which had outstanding loans of CNY653.7 billion at the end of March. "The bad-loan problem is far more serious among private credit firms than banks, because of looser risk control and larger exposure to small companies," said Yuan Gangming, Researcher with the Chinese Academy of Social Sciences (CASS). NPLs at banks grew 6.8% to CNY526.5 billion in the first quarter, and the NPL ratio edged up to 0.96% at the end of March from 0.95% a year earlier, the China Banking Regulatory Commission (CBRC) said last month.

FOREIGN INVESTMENT

State Grid plans more investments abroad

China is ready to invest further in European utilities if it finds the right opportunity and is happy about its first investments in Portuguese utilities, State Grid Corporation of China (SGCC) Executive Vice President Zheng Baosen said. SGCC bought a 25% stake in Portugal's power grid operator REN in February last year, and China Three Gorges owns a 21% stake in Energias de Portugal (EDP), as well as a 49% stake in the Portuguese unit of EDP's wind energy arm EDP Renovaveis. SGCC has set up a representative office in Frankfurt. SGCC President Liu Zhenya said in November his company planned to expand its overseas assets to USD30 billion-USD50 billion by 2020, from the current USD8 billion. China's cash-rich state power groups have been scooping up overseas assets in recent years, with State Grid – the world's largest state utility – establishing a presence in the Philippines, Brazil and Portugal. German utility E.ON CEO Johannes Teyssen, the incoming President of EU utilities trade group Eurelectric, said that Chinese investments made sense as European utilities are undervalued. "You have an undervalued asset, and someone picks it up understanding that in the long term this asset will grow in value because it is needed. I think that is a smart investment," Teyssen told Reuters. He said the Chinese could not only bring fresh capital but also technology, as China's grid operators are developing technologies not currently available in Europe, such as super high-voltage transmission lines. "Chinese utilities are among the most innovative utilities in the world," he said. Teyssen saw no strategic barriers to a stronger Chinese presence in Europe. "The Chinese are welcome partners," he said, as reported by the South China Morning Post.

Chinese firms face high costs of investing in Europe

High operating costs should not deter Chinese companies from investing in Europe, according to Gabriel Attias, Audit Partner of Deloitte Touche Tohmatsu France. He said it is important for potential Chinese investors to know their effective costs, which often turn out to be higher than the initially estimated costs. Chinese investors reported many difficulties, including dealing with European labor laws and high operating costs. Chinese companies should be advised by professional agencies first, Attias said. In terms of total investment volume, 34% of Chinese investment went to Europe, while only 27.1% and 17.9% went to Asia and North America, respectively. Of all Chinese investments in Europe in 2011-12, manufacturing took the lead, with 46% of the total FDI volume. Technology, media and telecommunications followed, with a 17% share. The latest Chinese investment came at the end of May when conglomerate Fosun International, which partnered with AXA Private Equity, placed a friendly offer to acquire French resorts company Club Mediterranee for about €556 million.

China to cut red tape for foreign investors

China plans to gradually begin easing applications and approval procedures for foreign investors. The Ministry of Commerce (MOFCOM) has selected pilot regions in which to trial a new regulatory regime that will streamline paperwork and auditing processes for foreign companies. The pilot areas will include Beijing, Shanghai, and the provinces of Jiangsu and Guangdong. Foreign direct investment (FDI) in China slowed last year but then reversed the decline in the first quarter of this year as confidence improved. China drew USD38.3 billion in FDI in the first four months of this year, up 1.21% from the same period last year. Economists are concerned that increasing labor costs, high energy prices, weak intellectual property rights and a regulatory environment that maintains many restrictions on foreign firms is discouraging them from investing. Ministry of Commerce Spokesman Yao Jian said that the decline of profitability of foreign companies in China was due to the changing economic environment and increased competitiveness of domestic firms.

Global CEO Advisory Council set up

The Chinese government has set up an advisory council of representatives of multinational companies. Premier Li Keqiang last week held the first meeting with members of the new "Global CEO Advisory Council" – consisting of 14 business leaders who include the heads of Time Warner, IBM and Dell. This is the first mechanism in which global business leaders can have regular, private talks with top Chinese officials. Such councils already exist in some regions such as Shanghai. Martin Winterkorn, Chairman of Volkswagen, Europe's largest carmaker, attended the meeting with Li in Beijing. He told European media the group discussed China's strategy to develop its central and western regions. The Council "should give an opportunity for frank face-to-face talks", Han Qide, Vice Chairman of the National People's Congress (NPC) said. The mechanism will give Beijing a platform to directly lobby influential multinational leaders across different sectors in future trade disputes. Representatives of the world's largest mining company BHP Billiton, the French retailer Carrefour, the world's largest maker of vitamins Royal DSM, and Standard Chartered Bank are members of the Council, which is expected to meet once a year.

- Water companies in Singapore are attracting foreign investors as they profit from exporting their expertise to China, which plans to spend USD850 billion over the next decade to improve its scarce and polluted water supplies. Since 2006, the number of companies in Singapore's water sector has doubled to about 100 and USD371.2 million has been committed to fund water research. Over the same period, Singapore-based water companies secured more than 100 international projects. Singapore's biggest listed water treatment company, Hyflux, signed two agreements in April for projects in China. The company is known for its membrane technology used for ultrafiltration.
- From January to April, China received USD38.34 billion in foreign direct investment (FDI), up 1.21% year-on-year. Of that amount, the western region received USD3.11 billion, up 25.7%, and the central region USD3.22 billion, up 5.7%. FDI to the eastern region declined 1.1% to USD32.01 billion. As labor costs are increasing rapidly in the coastal areas of East China, more foreign companies are looking to the country's western areas. Boosting FDI in the western region is a priority, while in the eastern region the focus will be on improving the quality of utilization.
- Police in Ghana have arrested at least 169 Chinese workers suspected of illegally mining for gold. They are expected to be deported. China's Foreign Ministry urged its nationals in Ghana to "respect local laws" and asked the local authorities to protect Chinese people's rights. Most of the illegal prospectors in Ghana are Chinese – an estimated 50,000 of them – and the majority come from the town of Shanglin in Guangxi.
- China's sovereign wealth fund, China Investment Corp (CIC), says its return on overseas investment was about 11% last year, reversing a loss in 2011, in part due to its diversified investment portfolio. Gao Xiqing, CIC's Vice President, said the fund's total assets – 40% of which are invested abroad – grew to USD500 billion in 2012 from USD482 billion in 2011. On a cumulative annualized basis since CIC's founding its overseas return was above 5% by the end of last year.

FOREIGN TRADE

EU imposes tariffs on Chinese solar panels

The European Commission imposed anti-dumping duties on imports of Chinese solar panels, defying opposition from Germany and other countries, including Belgium and the UK. European Union Trade Commissioner Karel De Gucht said the 27-nation bloc would impose an immediate tariff of around 12% on the import of panels, cells and wafers, increasing it to an average of 47% starting in August unless a settlement is reached with China. China is the world's largest producer of solar panels and is accused by the EU of selling them below-cost to corner the market. Its exports of solar panels to Europe totaled €21 billion in 2011. De Gucht said the price at which Chinese solar panels are sold in Europe should be 88% higher according to the Commission's calculations. Chinese solar panels' market share in the EU has risen to 80% over recent years. China rejects the EU's price-dumping allegations and Premier Li Keqiang warned last month that imposing punitive tariffs would hurt European consumers and could encourage trade protectionism. "The ball is now in China's court," De Gucht said. "This is a one-time offer to the Chinese side to negotiate." The trade row between the EU and China on solar panels is the world's biggest anti-dumping case by sales volume. If a settlement can't be reached, permanent tariffs would require approval by a majority of the EU's 27 member states six months from now. Germany has led growing opposition to the move, winning the support of 16 other member nations. The case was initially brought by EU ProSun, which groups European solar panel makers, but member companies of the Alliance of Affordable Solar Energy, relying on imported components from China, have lobbied against tariffs. Critics say the subsidies – in the form of cheap land, loans and tax incentives – encouraged the overbuilding of production capacity, which led to losses and bankruptcies of producers in Western nations that used to dominate the industry.

China launched its own anti-dumping and anti-subsidy investigations of wines imported from Europe, a day after the European Union slapped tariffs on Chinese-made solar panels. China announced the investigations at the request of the domestic wine manufacturers who claimed that the EU was using unfair trade practices, like dumping and subsidies, to import wines into China, hurting local business, the Ministry of Commerce (MOFCOM) said in a statement. Most of China's imports of European wine come from France, Spain and Italy, EU statistics show, highlighting that any commercial impact would fall on the countries whose governments supported the anti-dumping tariffs. "We believe there is no dumping of European wines on the Chinese market," Spokesman for the EU Roger Waite told the Associated Press. Louis Fabrice Latour, President of the Federation of Wine and Spirits Exporters of France, expressed alarm that the industry was caught in the dispute. "The use of our sector as leverage in a trade dispute is particularly regrettable," he said. Liu Danyang, Vice Director of the Bureau of Fair Trade for Imports and Exports under MOFCOM, insisted that China's wine investigation was not a retaliation for the solar panel duties. China imported 290 million liters of wine last year from the EU, accounting for 67.6% of its total wine imports, according to Chinese Customs figures. Wine from France alone totaled 170 million liters last year, an increase of 11.3% from the previous year. The average price of imported wine was USD6 per liter.

China is also threatening to extend the trade dispute with the EU to luxury cars, which could harm sales of high-end vehicles in one of the world's biggest growth markets. The action would hurt German carmakers BMW, Mercedes-Benz, and Audi in particular because they dominate the country's luxury market. A senior EU official played down the threat of Beijing lodging a complaint over luxury car imports, arguing that China would risk alienating its main trade ally in Europe.

China and U.S. to be each other's largest trade partner by 2022

China and the United States will probably become each other's largest trade partner by 2022, and China will surpass Canada and Mexico to become the largest importer of U.S. goods by then, according to the report "U.S.-China Economic Relations in the Next 10 Years: Toward Deeper Engagement and Mutual Benefit" by the China-U.S. Exchange Foundation. It said closer ties will benefit the U.S., helping to promote its exports to China and to add jobs domestically, thanks to China's commitment to advancing its urbanization drive and the nation's expanding middle class. By 2022, the U.S. is expected to surpass the European Union to become China's largest trade partner, and China will become the largest importer in the world, with its imports from the U.S. expected to surpass USD530 billion, three times the current figure. By then, U.S. exports to China are projected to create 1.81 million new jobs in the country, and the value of China's exports to the U.S. is expected to grow to USD805 billion. The report said the two nations are complementary to each other, and enhanced ties will

benefit both sides. The report suggested that in the next 10 years China and the U.S. should expand cooperation in agriculture, tourism, and science and technology – particularly in areas related to energy; jointly advance the Doha Round talks; and conduct negotiations on a bilateral free trade agreement. It also encouraged Chinese investment in the U.S., especially in infrastructure. Tung Chee-hwa, former Chief Executive of Hong Kong, is Chairman of the China-U.S. Exchange Foundation. In 2012, China-U.S. trade reached USD484.7 billion. China's cumulative outbound direct investment (ODI) in the U.S.' non-financial sector reached USD10 billion by the end of 2012, while cumulative U.S. direct investment in China stood at USD70 billion, according to China's Ministry of Commerce (MOFCOM), the China Daily reports.

“Have faith in China”, Vice Premier tells Fortune Forum

Foreign companies would be well advised to take every opportunity provided by China's economic growth, Vice Premier Zhang Gaoli told world business leaders in a keynote address to the Fortune Global Forum in Chengdu. “In the next five years, we expect China to import goods and services valued at USD10 trillion, and 10 billion Chinese will travel overseas.” “We must start to address air pollution. We must continue our policy of opening our market wider to the world,” he added. World business leaders attending the three-day forum in Chengdu were eager to hear of policies that might lead to higher returns on their investment in China. Robert Iger, Chairman and Chief Executive of Walt Disney, said every brand needs to stick to its core values to attract customers, even as brands adapt to local markets. Taking the pulse of consumers, especially those in China, was just one of many topics at the forum. Chengdu is the fourth Chinese city to host the annual conference, under this year's theme of “China's New Future.” The previous forums were held in Shanghai (1999), Hong Kong (2001) and Beijing (2005). The choice of Chengdu as host city reflects the government's policy of shifting economic development and urbanization to more underdeveloped western and inland regions, away from the crowded eastern seaboard. Among the corporate heavyweights attending this year's forum were executives from DuPont, JPMorgan Chase, Amway, and Dell and their counterparts from Chinese companies including Baidu, Geely, and China Railway Group. Vice Premier Zhang Gaoli was the highest-ranking Chinese official attending the forum. President Xi Jinping, who was visiting the Americas, sent a message to the forum, the Shanghai Daily reports.

Sharp drop in foreign trade growth noted

China's foreign trade growth slowed down sharply in May. Exports increased 1% from a year earlier to USD182.7 billion last month, slowing from the jump of 14.7% in April. Imports dropped 0.3% to USD162.3 billion, reversing the gain of 16.8% a month earlier, leaving a trade surplus of USD20.4 billion in May, compared with April's surplus of USD18.2 billion and March's deficit of USD884 million. Zhou Hao, Economist at the Australia & New Zealand Banking Group noted that the abnormal surge of trade in the past months was the outcome of over-invoicing and round-tripping of goods with an intention to use trade to bring in hot money. Zhou said the outlook of China's exports sector looks grim because of the loss of competitiveness due to a stronger yuan and rising trade protectionism. Zhao Xijun, Finance Professor at Renmin University in Beijing, said the May figures were weak but revealed a truer picture after regulators' move to curb fake trade deals.

- Bulgarian company Kabakum Group Import Export and China Sinopharm International Corp signed a deal to export Bulgarian sunflower oil worth €1.5 million, while Vinprom Peshtera agreed with Sinochem Plastics Co to export to China €500,000 worth of wines. The agreements were signed during the Bulgaria-China Business Meeting. The Chinese Ambassador to Bulgaria, Guo Yezhou, said bilateral trade hit nearly USD1.9 billion last year, up 29.4% from 2011. China is already the second largest trading partner of Bulgaria outside the European Union.
- China is set to become more dependent on imported grains, oilseeds and meat during the next 10 years, according to the Food and Agriculture Organization (FAO) and the OECD in their annual agricultural outlook. The report for the first time devoted a full chapter to China. The country's imports of coarse grains, used mostly for fattening herds, are expected to double by 2022, imports of soybeans will grow 40%, while meat imports are also set to soar, with beef imports nearly doubling. China's entry into global agricultural markets has already started to drive mergers and acquisitions in the agribusiness.

HEALTH

Number of private medical facilities on the rise

Shanghai has approved 300 private medical facilities in the past three years, the Shanghai Health and Family Planning Commission said. High-end joint ventures are making large investments and bringing in advanced management techniques, the Commission said. "Private medical facilities cover 6% of local health services," said Commission Director Xu Jianguang. By the end of last year, the city had 1,605 private medical facilities, 76 of them non-profit and 1,529 for profit. Most are clinics, with a total of 8,400 beds, which is 7.7% of the city's total beds.

- Around 9.19 million people in China had dementia in 2010, compared with 3.68 million 20 years earlier, according to the most detailed study into age-related mental health in China. Of the 9.19 million people, 5.69 million had Alzheimer's. China has more individuals living with Alzheimer's disease than any other country in the world.

IPR PROTECTION

Guangdong, Beijing and Shanghai most developed in IPR

Guangdong province, Shanghai and Beijing were the most developed regions in China in terms of intellectual property last year, according to a study conducted by the National Intellectual Property Development and Research Center. Jiangsu, Hubei and Anhui provinces have developed at the fastest pace in the past five years. The study rated the regions by the number of inventions and applications, protection and the social environment of intellectual property. "In accordance with the economic development level, the eastern region is much more advanced compared with central and western regions of China," said Mao Jinsheng, Director of the Center under the State Intellectual Property Office (SIPO). "Despite the regional difference, China as a whole has made continuous progress in the past few years," Mao said. The number of domestic patent applications has risen from 828,000 in 2008 to 2,051,000 last year – the most worldwide since 2011. China stands fourth in the world on the number of international applications, behind the U.S., Japan and Germany. "Our patents on the international stage mainly focus on information and communication technology. In comparison, the U.S. is competitive in all fields. We still have a long way to go," Mao said. Wang Jianguo, Intellectual Property Director of Haier, said many Chinese enterprises haven't paid enough attention to intellectual property and so lack top talent to take care of the work.

MACRO-ECONOMY

Number of millionaires to grow 15% per year

Millionaires on the mainland will grow in number nearly twice as fast as those in Hong Kong in the next two years, according to a study by private bank Julius Baer. In its third wealth report since 2011, the bank said the number of high-net-worth individuals (people with USD1 million or more in investable assets, excluding property) in Hong Kong grew 9.5% to 113,000 this year, while the number on the mainland jumped 21.6% to 1.02 million. Julius Baer estimates the number in Hong Kong will reach 134,000 in 2015, representing an annual growth rate of about 8%, and the number on the mainland to reach 1.4 million, for an annual growth rate of about 15%. McKinsey & Co Partner Kenny Lam told a conference on private banking that affluent mainlanders were looking to put about half their assets into foreign banks outside the mainland, to diversify risk. Julius Baer estimates the number of high-net-worth individuals in Asia, excluding Japan, will grow from an anticipated 2.17 million this year to at least 2.82 million by 2015. Affluent Japanese make up about half of all such individuals in Asia, and mainlanders a quarter. The cost of luxury living for Asia's rich continues to outpace inflation, the bank's report says. Among luxury items, the cost of going to university showed the highest increase – a surge of more than 30% – for all the Asian markets surveyed. The second-highest price increase was for high-end wine, which rose more than 16% on average, the South China Morning Post reports.

- China plans to build 50 large hydro-power dams which will deliver more than the total hydropower capacity of the U.S., putting China – already the world's largest hydropower consumer – on the way to providing 15% of its energy from renewable

sources by 2020. The Three Gorges Dam generated more than 88.2 terawatt hours (TWh) of electricity last year – more than France's entire yearly output of renewable energy.

- The HSBC China Service Purchasing Managers' Index (PMI), a gauge of non-manufacturing activities in mainly private and export-oriented sectors, stood at 51.2 last month after seasonal adjustment, HSBC Holdings and Markit Economics said, nearly flat from April's 51.1, the lowest reading since August 2011. "The latest reading signaled service sector activity in May grew by a low level," said Qu Hongbin, Chief Economist for China at HSBC. The sub-index of new business orders among service firms fell in May to a 21-month low of 51.4, down from 51.5 in April, pointing to sluggish demand. China's official services PMI slipped to 54.3 last month from 54.5 in April.
- The third national economic census will be launched on December 31, the National Bureau of Statistics (NBS) said. It will deal with figures including the number of employees, the financial situation, production and operating status, and production capacity.
- The Guangzhou government is expected to invite private investors to participate in 128 major projects covering infrastructure, industry and development. The projects, awaiting approval, are worth an estimated CNY300 billion.
- The National Audit Office (NAO) has discovered CNY7.9 billion of irregularities related to the Three Gorges Dam project, including around CNY279 million in funds intended for relocating residents. The auditor also said construction mismanagement had led to an extra investment of CNY808 million. By the end of 2011, CNY207.87 billion had been invested in the dam, far exceeding the original budget of CNY135.27 billion in 1993, when the central government approved the project.
- Industrial production rose a less-than-forecast 9.2% from a year earlier in May and factory-gate prices fell for the 15th consecutive month, the National Bureau of Statistics (NBS) said. Consumer inflation slowed to 2.1%, the lowest in three months, while producer prices fell 2.9%, the lowest since September last year. Growth in retail sales, fixed-asset investment and industrial output met expectations at 12.9%, 20.4% and 9.2% respectively, but the figures were little changed from the previous month.

MERGERS & ACQUISITIONS

Number of Chinese M&As in the U.S. is rising

Chinese acquisitions of U.S. companies have soared in the last decade, to USD8.7 billion so far this year from USD56 million in 2003. The deal volume up to May 31 was already close to last year's record USD9.2 billion, and more than double the USD3.9 billion of 2011. The size of Chinese purchases has grown as well. Three of the four biggest Chinese deals in the U.S. have been announced since the start of 2012, including the Smithfield acquisition. A consortium of Chinese bidders agreed to buy about 80% of aircraft-lease company International Lease Finance Corp from American International Group (AIG) for USD4.23 billion in December. Dalian Wanda Group bought Missouri-based theatre chain AMC Entertainment Holdings last year for USD2.6 billion to create the world's biggest cinema owner. Still, the Chinese presence in the U.S. is relatively small. China did not rank among the top 20 nations for foreign direct investment (FDI) in the U.S. last year, according to preliminary data from the Organization for International Investment. The Netherlands was the largest last year, followed by France and Japan. Plus, about half the Chinese transactions in the U.S. over the past 15 months by U.S. dollar value were done by private companies, a change from previous years when state-owned firms dominated acquisitions in the U.S., according to the Rhodium Group. Meanwhile, the number of Americans employed by Chinese companies, while tiny, is growing – to 32,000 from 27,000 at the end of October – according to Rhodium. Lenovo Group, the second-biggest personal computer maker, is opening its first plant in North Carolina and will hire 115 workers to start production next year, said Thilo Hanemann, Research Director for Rhodium, as reported by the South China Morning Post.

- American International Group (AIG) Chief Executive Robert Benmosche raised doubt about whether the company would complete a sale of its plane-leasing unit ILFC to a Chinese investor group led by New China Trust's Chairman Weng Xianding by the June 14 deadline. AIG said it had not yet received the required deposit. The Chinese

consortium was actively pushing forward the progress of the deal, China Business News reported on its website. ILFC owns or operates a fleet of about 1,000 aircraft.

PETROCHEMICALS

China planning third shale gas auction

China may hold a third shale gas auction by as early as the end of the year and plans to encourage more participation from small-and-medium enterprises. China wants to open its shale gas sector to a broader base of competitors and has conducted two auctions so far. The first one, in July 2011, went to Sinopec and a regional coal-seam company, but the second one was awarded to 16 local winners, mostly non-oil companies, which would need to buy the expertise they lack. The National Energy Administration (NEA) targets to produce 6.5 billion cubic meters (BCM) of shale gas by 2015, or roughly 6% of China's current total gas production.

- Hong Kong and China Gas (Towngas) plans to plough HKD10 billion into its mainland energy and utilities businesses in the next three years, as it continues to diversify away from its mature home market. Hong Kong's only piped-gas supplier would put the money in city-gas distribution, water supply, treatment projects and new energy businesses, Managing Director Alfred Chan said after the company's annual shareholders' meeting. In the past 15 years, the firm has invested more than HKD20 billion in 165 projects on the mainland. Last year, Towngas's mainland gas sales grew 15% to 11.9 billion cubic meters. It had 107 mainland city-gas projects at the end of last year, of which 73 were held by listed subsidiary Towngas China.
- Pump prices in Shanghai were cut by 1% last week to reflect changes in global crude oil markets. The ceiling price at local gas stations for 93-octane gasoline was cut to CNY7.43 a liter. Rates vary from province to province. Shanghai's rates are among the highest in China, in part because of higher fuel standards. Across the country, the National Development and Reform Commission (NDRC) said it cut gasoline prices by CNY95 per ton and diesel by CNY90 per ton.

REAL ESTATE

Home prices rise for 12th consecutive month

Home prices in China rose for the 12th straight month in May, but the pace of growth continued to fall. The average price of new residential properties in 100 cities was up 0.81% from April to CNY10,180 per square meter, the China Index Academy said. Of the 77 cities that posted gains, 43 saw increases of more than 1%. Xiamen led last month's gainers with a 3.55% rise. Twenty-two cities recorded price drops, with Xian recording the biggest decrease of 1.74%. The Academy said developers and buyers were increasingly adopting a more prudent approach and home prices were rising more slowly as a result. "However," it added, "expectations for further home price growth still remain strong as land markets gradually picked up their strength in major cities including Beijing and Shanghai, home supply in some key cities remained tight, and expectations of looser monetary policy were unchanged." In the country's 10 largest cities, the average price of a new home rose 1.05% to CNY17,202 per square meter in May compared to April's 1.31% rise. Guangzhou led with a 2.52% gain, followed by Chengdu's 2.1%. In Beijing and Shanghai, home prices rose 1.97% and 0.23%.

- China Vanke Chairman Wang Shi said the mainland's property market faces the risk of a "bubble", reiterating concerns the developer raised three months ago. "If the bubble lasts, it will be dangerous," he warned. Home prices have been increasing even as the government in March stepped up a three-year campaign to cool the market. Vanke has 98% of its investments in China and planned to have 20% internationally, Wang said without giving a timeframe.
- China Huaneng Group Corp broke ground for new offices on the former World Expo site in the Pudong New Area of Shanghai. A total of 13 state-owned enterprises (SOEs), including Baosteel and State Grid have signed contracts to build headquarters on the former site of the Australian and Thai pavilions. About 28 buildings will be built there using environmentally-friendly materials. Other tenants include Sinochem Group, China Changjiang National Shipping Group, and

RETAIL

Pizza Hut apologizes for insulting the blind

Pizza Hut apologized for an online advertisement which ridiculed blind people and led to protests outside branches in at least five cities throughout China. An online ad contained the following dialogue: "Do you know why these balls are confusingly rolling around?," one cartoon talking-head asks another in the clip, referring to shrimp balls. "Because they are blind balls". The words for "shrimp" and "blind" have the same pronunciation in Putonghua. Blind people also took offense in the choice of the word for "rolling", which is often used as a curse. There are about 8.2 million blind people in China.

- British fashion house Stella McCartney will step up its retail development across China. Frederick Lukoff, President and Chief Executive, said the company planned to open a shop in Chengdu, capital of Sichuan province, after launching its flagship store in Beijing. London-based designer Stella McCartney, the daughter of former Beatle Paul McCartney, founded her brand as a 50-50 joint venture in 2001 with French group Kering, previously known as Pinault-Printemps-Redoute (PPR).

SCIENCE & TECHNOLOGY

Shenzhou-10 ready to be launched

China's Shenzhou-10 spacecraft is ready for launch later this month with a crew of three astronauts, including one woman. The carrier rocket, a modified Long March-2F, arrived at the launch platform at the Jiuquan Satellite Launch Center in Gansu province. The spacecraft and rocket are undergoing further checks before the launch. Wang Yaping, 35, a former air force pilot, will become the second Chinese woman in space after Liu Yang, who was on board the Shenzhou-9 mission in 2012. Wang and her colleagues will work in the orbiting space lab Tiangong-1 for 12 days, said Zhang Jianqi, Director General of the China Space Foundation. The mission will last 15 days. It will be China's fifth manned mission since Yang Liwei became the country's first man in space in 2003. China is aiming to launch a space laboratory in 2016 and its first space station, made up of three capsules, should be in orbit around 2020.

University entrance exam held

The university entrance exam (called gaokao in Chinese) was held on June 7 and 8 at 310,000 exam rooms at 7,300 venues across the country. About 9.12 million students sat the exam to win a college or university place. Students in Jilin province were banned from wearing clothing with metal parts and education authorities installed metal detectors in exam centers to detect "wireless cheating devices". Migrant students were allowed for the first time to take part in the exams in Shanghai. Previously they had to return to their home regions. In some big cities – including Beijing – which have a large number of migrant workers, students will still need to wait some time to fully benefit from the new rules.

The exam also had an impact on some businesses. Hotels near test sites were fully booked, restaurants offered free drinks and healthy "brain food", online stores sold lucky charms, and parents went to temples to pray for their children to score high marks. Observers have dubbed the effect "the gaokao economy". Some parents were paying as much as CNY5,000 for their child to spend the night at a five-star hotel close to the exam site. Health products that promise to boost energy, such as fish oil, were also selling well in Shanghai. An increasing number of Chinese students have started to consider an alternative to the gaokao: going abroad. In 2012, the Ministry of Education said 399,600 Chinese students went to study abroad, an increase of 17.65% from 2011. In Beijing, 72,736 students signed up for the gaokao in 2013, down from 126,000 in 2006. The number of Chinese students enrolled in U.S. institutions of higher education in 2011-12 increased from 157,558 to 194,029, or 23% over the previous year. The number of self-funded students studying abroad has also increased rapidly. The Ministry of Education said that among nearly 400,000 Chinese students overseas in 2012, about 380,000 were self-sponsored.

- The Polar Research Institute of China said it plans to establish a China-Nordic Arctic Research Center in Shanghai to increase awareness and knowledge of the Arctic region and promote cooperation for its sustainable development. It will provide opportunities for Chinese and Nordic scholars to conduct Arctic research through fellowships and scholarships. China was recently granted observer status on the Arctic Council. China is a latecomer to Arctic research, and its studies are mainly focused on natural science topics such as the shrinking of sea ice as well as climate and ecological change.
- China is losing top-notch talent at the highest rate in the world as students who seek degrees abroad opt to remain overseas, the official People's Daily reported. An average of 87% of students in science and engineering stays overseas. Chinese citizens now account for the largest proportion of foreign students at American universities, the Institute of International Education said in a November report.
- Ten years ago, China formally introduced the EMBA (executive MBA) program, offering Western management knowledge. The country has since become the largest EMBA market in the world, with more than 10,000 EMBA students graduating from around 60 business schools every year. Seven Chinese business schools made it to the world's Top 100. The EMBA program jointly run by Beijing's Tsinghua University and French business school INSEAD and another managed by the Shanghai-based China Europe International School (CEIBS) are even in the Top 10. Fees for a two-year program range from CNY200,000 to CNY600,000.

STOCK MARKETS

CSRC to stop stock sales below IPO price

The China Securities Regulatory Commission (CSRC) plans to restrict share issuers and major holders from selling their stocks at below the initial public offering (IPO) price as part of new rules aimed at cracking down on fraud and protecting investors. The restrictions will be in place for two years after lock-ups end, according to draft rules. Issuers must also prepare and disclose plans to stabilize share prices that fall below net asset values within five years of their debuts. New CSRC Chairman Xiao Gang is extending predecessor Guo Shuqing's campaign to combat fraud. Under the draft rules, when a firm reports a net loss or a drop of more than 50% in profit in the same year of its listing, the CSRC will stop reviewing any applications submitted by the investment bank that advised it. The CSRC punished three brokerages and banned bankers from Ping An, Nanjing Securities and Minsheng Securities from the securities industry for life in the past month for failed due diligence in initial public offerings (IPO). The CSRC also plans to change the pricing system by letting individual investors who meet criteria set by underwriters participate in the placement process, previously limited to institutional investors. To make the listing process more market-driven, the CSRC will allow issuers 12 months to decide when to start trading after they receive regulatory approval for their initial sales. Companies will also be able to apply to issue bonds while their listing applications are pending regulatory approval, as it encourages companies to explore fundraising options.

- Gui Zhen Tang, a pharmaceutical company in Fujian province, is among 269 companies that have pulled out of the examination process for IPOs this year, the China Securities Regulatory Commission (CSRC) said. Founded in 2000, the company is specialized in taking and processing bear bile for medical powders, capsules and other products and owns the largest black bear breeding center in southern China. It has been criticized by animal rights groups over extracting bile from live bears.
- The State Administration of Foreign Exchange (SAFE) approved a USD681 million quota for qualified foreign institutional investors (QFII) in May. At the end of May, 202 foreign institutions had received permission to invest in China's stock market under the QFII scheme. The quota for foreign investments denominated in yuan, or so-called RQFII, expanded by CNY15.6 billion in May, compared with a CNY7.6 billion increase in April.
- China Everbright Bank, which is preparing for its third official listing attempt, plans to double the size of its long-planned Hong Kong offering to up to USD4 billion by selling 12 billion shares. "Poor market conditions and investors' skepticism over new shares have increased the difficulty for Everbright's IPO," a banker said. "Valuation of the shares is the only key to its Hong Kong listing, as it must take at least a 10% discount

to its A shares.” Everbright's capital adequacy and core tier-one capital adequacy ratios were 9.9% and 7.5%, respectively, as of March, and analysts said it badly needed to complete the Hong Kong listing to replenish its capital base.

- The Shenzhen Stock Exchange (SSE) has issued a document to the market giving details of a trial program to allow small- to medium-sized enterprises (SMEs) to issue private exchangeable bonds. Eligible potential issuers are unlisted small Chinese companies, excluding real-estate and financial entities. Investors can only exchange the bonds for A shares six months after the investment. According to current rules, only corporate shareholders with net assets above CNY300 million are allowed to issue exchangeable bonds.
- Hefei-based Huishang Bank has joined the queue of companies seeking an initial public offering (IPO) in Hong Kong. The lender is seeking to raise about USD1 billion next year. Timothy Li, Analyst with brokerage firm Core Pacific-Yamaichi, said the timetable for the reopening of the A-share IPO market was difficult to estimate, so banks would opt for another channel in Hong Kong. Huishang Bank's profit for last year was CNY4.3 billion, an increase of 23.3% from the previous year. The bank's non-performing loan ratio as of the end of last year was 0.58%, 10 basis points higher than a year ago.

TRAVEL

Chinese tourists spend the most on luxury goods

Rich Chinese tourists spent more on luxury goods than any other nationality for a third consecutive year despite making fewer overseas trips, according to The Chinese Luxury Traveler (2013) report. “Luxury travelers,” those with more than USD1 million in assets, were found to have taken 2.8 trips in this year's survey, compared to 3.2 trips in the 2012 survey, while the “super rich” (USD10 million in assets) went on 3.4 overseas journeys compared to 4.2 the year before. However, they were still the biggest national group in terms of tax-free shopping, spending an average of €875 per trip, an increase of 8% from the year before and 70% higher than the global average. Watches were the favorite purchase for men, followed by wine, while women preferred jewelry, followed by clothes. Europe is the favorite destination for China's luxury travelers with five countries among their top 10 preferred destinations – France topped the list while Switzerland, the UK, Italy and Germany all proved popular. The U.S. and Singapore were second and third.

Overall, the percentage of Chinese travelers who spent more than CNY5,000 on a trip abroad was lower in 2012 than in 2011. The highest amount is still spent on shopping, at 34.1%, followed by transportation at 21.6%, according to the China Tourism Academy. Most Chinese tourists going abroad choose to stay at cheaper hotels in the suburbs and spend sparsely on dining so they can spend more on shopping. In the United States, the percentage of Chinese travelers who regard shopping as their primary purpose has dropped 6.8 percentage points compared with that of a year ago. Meanwhile, spending on leisure and entertainment has risen 5 percentage points. The average expenditure of Chinese travelers in California was USD2,900 in 2011, which is the highest among all the foreign travelers to the state. In Hong Kong, the majority of the shopping by tourists from the Chinese mainland has shifted from luxury brands to products that are more practical and evenly priced. The number of outbound visits exceeded 83.18 million, a year-on-year increase of 18.41%. Total overseas spending by Chinese tourists in 2012 reached USD102 billion, with the tourism services trade deficit further rising to USD51.9 billion. The number of outbound trips is expected to reach 94.3 million this year, a year-on-year increase of 15%.

Beijing raises taxi fares

Beijing raised taxi fares on June 10 in a bid to improve drivers' income and address complaints about poor service and cab shortages during peak times. The starting fare will increase from CNY10 to CNY13 for the first 3 kilometers, and the fare per subsequent kilometer will go up from CNY2 to CNY2.3, according to the Beijing Development and Reform Commission. The reservation fee is CNY6 when passengers book four hours in advance and CNY5 within four hours, while the fuel surcharge is CNY1 per ride. Cabbies are expected to see an annual income increase of CNY1,400, the Commission said, and passengers will pay an extra CNY3.3 a ride on average. The Commission said it would take 20 days to have taxi meters adjusted and the city will adopt two charge levels in the meantime. Passengers will receive a

receipt covering fuel surcharges and reservation costs instead of separate invoices.

- Shanghai will build its second tram route in Songjiang District as the city tries to develop a medium-sized transport system to supplement its busy subway network. The electric-powered trams, made by Changchun Railway Vehicles Co, will link the Sheshan tourism resort to Songjiang New Town. The new trams will have a capacity of 368 people in four carriages with a maximum speed of 80 kilometers per hour. Officials hope to build 700 to 800 kilometers of tram tracks in the next five to 10 years as the city builds satellite urban centers in the suburbs. The city's only existing tram line is in Zhangjiang in the Pudong New Area and is mainly used by commuters traveling from Metro stations to their office buildings in the Zhangjiang High-Tech Park.
- Starwood Hotels & Resorts Worldwide will probably double its China portfolio within the next three to four years. The company, which opened 25 hotels in China last year, plans to add another 20 hotels by the end of this year. "Within a year or two, we will unveil the first Element brand hotel in the country, and by then we will have all of our nine brands present here," Qian Jin, President of Starwood China, said at the Fortune Global Forum in Chengdu. The first Element hotel, a mid-range, extended-stay hotel with an environmentally friendly focus, will likely open in Suzhou in Jiangsu province in 2014 or 2015.

VIP VISITS

Xi and Obama hold summit in California

The Chinese and U.S. Presidents spend two days in informal gatherings at Sunnylands in Rancho Mirage, California, trying to strengthen the bilateral relationship. It was the first meeting between the two since Xi succeeded Hu Jintao in March. "There is some sense of urgency to prevent any further deterioration in U.S.-China relations," said Professor Susan Shirk, Chairwoman of the 21st Century China Program at the University of California, San Diego. "The two leaders don't want another cold war." For the U.S., the most pressing issue was cybersecurity, following allegations that the Chinese have engaged in systematic hacking of U.S. government institutions and businesses. President Xi countered that China itself was a victim of hacking. For China, America's strengthening ties with countries in the Asia-Pacific region are a serious security concern. Both Presidents reiterated the need to improve military dialogue to help both sides understand each others' strategic objectives. "We've had high-level diplomatic communications about economic and strategic issues, but we haven't always had as effective communications between our militaries," Obama said. The leaders spent eight hours together. State Councillor Yang Jiechi said that the two Presidents had "an unprecedented" interaction and "did not shy away from differences". They agreed to make joint efforts to reduce emissions of hydrofluorocarbons, commonly used in refrigerators and air conditioners. The greenhouse gas drive was the only tangible outcome from the two-day informal summit.

Xi Jinping visits Trinidad, Costa Rica and Mexico

During his trip to Trinidad and Tobago, Chinese President Xi Jinping has offered concessionary loans to nine Caribbean countries totaling some USD3 billion. Trinidad and Tobago's Prime Minister Kamla Persad-Bissessar told reporters the loans would be earmarked for infrastructure and development projects across the Caribbean. In Costa Rica, Xi held talks with his counterpart Laura Chinchilla and witnessed the signing of cooperation deals. China also lent Costa Rica nearly USD400 million. The Export-Import Bank of China is giving a USD296 million loan to fund the extension of a road to connect the central part of Costa Rica to its main shipping port in the Caribbean. A second loan for USD101 million was made to allow Costa Rica to replace some 16,000 public transportation vehicles. Nine deals were signed during President Xi's visit, including a Chinese donation of USD16.3 million for Costa Rica's police academy. Costa Rica will be applying for a loan from China to buy 5,000 solar panels in coming months, the government said. The country imported USD1.44 billion of Chinese goods last year, while its exports to China were USD331 million, government data showed. The biggest project agreed upon is the modernization of an obsolete oil refinery in the Caribbean port El Limon, which will be replaced with a new refinery capable of processing 65,000 barrels of oil a day.

In Mexico, President Xi met President Enrique Pena Nieto, delivered a speech to the Mexican

Congress and visited the ancient Maya archaeological site of Chichen Itza. The two Presidents vowed to work jointly to access international markets, like the lucrative United States, as part of a new strategic partnership. The two countries also agreed to take steps to balance their trade, now heavily in favor of China. The leaders witnessed the signing of 12 memorandums of understanding and cooperation agreements in areas including energy, mining, education and infrastructure. "We expect to broaden investments of Chinese capital in our country," Pena Nieto said, a move that will create more jobs and make Mexico "an important platform for exports to the countries with which we have free-trade agreements." Xi said China would sign contracts to buy more than USD1 billion of Mexican products, but did not provide any details. Mexico imported USD57 billion worth of Chinese goods last year, while exporting just USD5.7 billion, according to the Mexican central bank.

ONE-LINE NEWS

- WPP expects its revenue in China to grow 10% this year to USD1.5 billion, faster than its global growth target, Chief Executive Martin Sorrell said, with income from new media taking up to 40% of the group's overall sales in five years. China is WPP's third largest market by revenue, behind the U.S. and UK. WPP is the world's largest advertising company, which owns agencies including Ogilvy & Mather and JWT. Last month, WPP acquired Chinese automotive market research company Sinotrust Market Research.
- At least 120 workers died when they were trapped inside a locked slaughterhouse that caught fire at a poultry farm in Dehui, Jilin province. It was China's deadliest fire in 13 years. The farm is owned by Jilin Baoyuanfeng Poultry. Three explosions that started the fire were allegedly caused by leaking liquid ammonia – a common refrigerant used in large cold-storage areas.
- Ni Fake, a former Vice Governor of Anhui province, is being investigated by China's anti-corruption watchdog for "suspected serious disciplinary offenses". Reports of the investigation into Ni come amid the ongoing crackdown on corruption, which includes the deployment of 10 inspection teams to various provinces and organizations.
- Hu Zhicheng, a Chinese-American businessman who was held in China for nearly five years after he became involved in a dispute with a competitor, has been allowed to return to the U.S. Hu, who was President of a company building catalytic converters, was arrested in 2008 and later jailed for 17 months over a business dispute. He was eventually released, but officials refused to let him leave China.
- Some 16,000 archive documents about Shanghai's earliest companies, factories and hospitals were revealed to the public for the first time at the Shanghai Municipal Archives on the Bund. The exhibition includes photos and documents about the city's four major department stores – Sincere, Wing on, Xinxin and the Sun in the 1930s and information on Xiexin Textile Co, one of the earliest textile companies in the city. An exhibition with pictures and exhibits about Shanghai's modern history was also opened to the public at the archives.
- Former Railways Minister Liu Zhijun's trial on corruption charges was held on June 9 at the Beijing No 2 Intermediate People's Court. He is accused of taking bribes and other gifts worth CNY64.6 million from 1986 to 2011. He is also charged with abusing his position to help 11 people get promoted, and in the awarding of contracts for projects related to high-speed railways. A verdict will be given at a later date. He could face the death penalty or life imprisonment if found guilty.

QUOTES OF THE WEEK

"By the Chinese dream, we seek to have economic prosperity, national renewal and people's well-beings. The Chinese dream is about peace, development, cooperation and win-win results, and it is connected to the American dream and beautiful dreams of people in other countries. I am confident in our joint efforts to build a new model of major country relationship."
Chinese President Xi Jinping in remarks following his meeting with U.S. President Barack Obama, quoted in the Shanghai Daily, June 9, 2013.

"If we can get individual rights under legal protection, if we can maintain economic activities in a fair way, and also have people's supervision, I think corruption problems will be definitely solved."
Chinese Vice Premier Zhang Gaoli at a welcome dinner in Chengdu as part of the Fortune Global Forum,

quoted in the South China Morning Post, June 7, 2013.

“What I found so impressive in the President of China is that he treated the leaders of small Caribbean nations no differently to how he would treat the President of United States or Britain’s leader.”

Bahamas Prime Minister Perry Christie, quoted in the Shanghai Daily, June 4, 2013.

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