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

NEWSLETTER | 21 OCTOBER 2013

FCCC ACTIVITIES

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

Agoria, in cooperation with the Flanders-China Chamber of Commerce (FCCC), is organizing the next IPR Conference to be held at 14:00h on Tuesday the 29 October 2013 at the Diamant Building in Brussels. The conference is held in cooperation with FIT, BIE, AWEX, BCECC, FCCC, Belgian Chambers, CCIBW, CCIBV and EU China IPR SME Helpdesk. This event will include an interactive seminar and an optional individual free advice session after the seminar by the China and Asean IPR experts of the EU China IPR Helpdesk to each of the 12 first registered and individual advices requesting participating company.

The conference will provide updated information on general IPR protection in China plus a focus on trademark registration, protection and litigation in China, as well as information on how to protect IPR in China and in Asean countries, manage intellectual assets and use the Chinese and Asean IP systems to enforce IPR rights effectively. The testimonial speakers will share their experiences of IP protection and enforcement in China, and give practical tips on achieving the results required to do business effectively in China.

Last but not least, at this conference a guide folder will be provided containing the following information:
· Guide to Trade Mark Protection in China
· How to Conduct a Trade Mark Search
· Protection of Online IPR in China - Domain Names
· Guide to Protecting Your Trade Secrets in China

Registration at http://flanders-china.be/eventdetail.asp?id=312&cat=up by 22 October 2013 at the latest.

Programme:

13:30 – 14:00	Registration
14:00 – 14:10	Welcome word on behalf of all organizers by Francis Walschot, Director Regulations & Standardization, Agoria
14:10 – 15:40	Presentation with updated information on IPR protection in China and in Asean countries with a focus on trademark registration, protection and litigation in China by Simon Cheetham and Joao Miranda de Sousa, European Commission IPR China SME Helpdesk experts
15:40 – 16:00	Coffee & Tea Break
16:00 – 16:20	Testimonial by Fred Liu, Lawyer, Barco China
16:20 – 16:40	Testimonial by Marc Messely, Group Industrial Property Manager, Bekaert

16:40 – 16:50	Closing Word by René Branders, President of Agoria International IPR Work Group
16:50 – 18:00	Networking drinks
In parallel	
16:50 – 19:00	Free individual 'Clinical' advice session with the two IPR China and Asean experts - 20 minutes for each of the pre-registered companies with one specialist. Attention – Policy for the free individual 'Clinical' advice: First In, First Served – this individual 'Clinical' advice is available only to the first 12 earliest registered companies who request for free 'Clinical' advice session. Pre-questions for the clinical sessions are requested together with registration for this conference participation.

Doing business with China for SME's – Thursday 7 November 2013 – 15h30 – Gent

The Flanders-China Chamber of Commerce (FCCC) and VOKA East Flanders are organizing the conference: "Doing business with China for SME's". This event will take place at 15h30 on Thursday 7 November at the Voka Box, Lammerstraat 18, 9000 Gent.

During this event, highly experienced experts and business leaders will share their knowledge and expertise based on their achievements in China.

Programme:

15h30	Registration
16h00	Welcome by Flanders-China Chamber of Commerce / VOKA East Flanders
16h10	"Practical aspects of intellectual property protection and Technology Transfer in China" (40 minutes) by Mrs Sari Depreeuw, Senior Associate, Dewolf & Partners, Brussels Office and Mrs Ava Tu, Associate, De Wolf & Partners, Shanghai
16h50	"Selling in China: a practical approach" by Kristina Koehler, China Director, Klako Group
17h10	"Experiences of Nuscience in China" by Patrick Keereman, CEO, Managing Director
17h30	Question and answer session
18h00	Networking reception

Participants to the conference will receive the publication "FCCC Members' Portraits in China". The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced on their way to success in the largest and most challenging market on earth.

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

Registration online before 31 October at:
http://flanders-china.be/eventdetail.asp?id=313&id_cat=1&cat=up&lang1=

Price FCCC members: €75; non-members: €95.

PAST EVENTS

Meeting with Zhaoqing delegation – 16 October 2013 – Brussels

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

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

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

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

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

Opening Ceremony of the Weihai EU Office in Ghent, Belgium – 24 September 2013

The Flanders-China Chamber of Commerce (FCCC) and the Weihai Municipal Government held the official opening ceremony of the Weihai EU Office in Ghent on 24 September 2013.

The opening of this EU Office is the result of intense cooperation between the Flanders-China Chamber of Commerce (FCCC) and the Weihai Foreign Investment Center. On this occasion, the city of Ghent and the city of Weihai signed a cooperation agreement. At the same time, the Flanders-China Chamber of Commerce and the Weihai Foreign Investment Bureau also signed an MOU to promote cooperation between both sides. The Mayor of Weihai, Mrs Zhang Hui, outlined the investment environment in Weihai, Shandong province, where several Flemish companies such as Bekaert, Beaulieu and Weihai Golden Solar Thermal Industrials have a major investment.

Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce, CEO of Bekaert; Mr Daniel Termont, Mayor of the City of Ghent, Province of East Flanders; and Mrs Zhang Hui, Mayor of Weihai City, Shandong Province, addressed the ceremony. Two MOU's were also signed between the Weihai Foreign Investment Bureau and VITO and a second one between ECRAAL and the Weihai Foreign Investment Bureau.

The event was concluded by a networking reception attended by 120 participants. The meeting is organized with the support of Flanders Investment and Trade. Further information and an investment guide can be obtained at the FCCC: info@flanders-china.be.

Launch “EU Business in China: Position Paper 2013/2014” – 17 September 2013 – Brussels

The annual launch seminar of the “EU Business in China: Position Paper 2013/2014” took place on September 17, 2013 at Business Europe in Brussels.

This seminar was organized by the European Union Chamber of Commerce in China (European Chamber) in collaboration with Business Europe and the EU-China Business Association (EUCBA), for which the Flanders-China Chamber of Commerce acts as secretariat-general. The European Chamber presented its European Business in China Position Paper 2013/2014.

EU Trade Commissioner Karel De Gucht delivered a speech on the current state of EU-China business and economic relations. Mr Davide Cucino, President, European Union Chamber of Commerce in China, presented the European Business in China Position Paper 2012/2013, followed by a Q&A session and closing remarks by Mario Vizzotto, Chairman, BUSINESSEUROPE China.

A copy of the position papers 2013/2014 can be downloaded at the following website: wwww.euccc.com.cn

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) organized a group business trip to West-China, an enormous market. Minister-President Kris Peeters led the trip from 9 till 13 September 2013 to Chongqing and Chengdu.

On September 11, the Flanders-China Chamber of Commerce (FCCC) organized a breakfast seminar in Chongqing. Mrs Gwenn Sonck, Executive Director of the Flanders China Chamber of Commerce, welcomed the participants and introduced the speakers.
Mr Luc Maton, Member of the Board of the FCCC and General Manager Asia Region of Ahlers, introduced the Flanders-China Chamber of Commerce and its activities. He emphasized the publication of newsletters, the organization of seminars and the sharing of guanxi (networks) to exchange experience and knowledge on China's economy and doing business in the country.

Flanders' Minister-President Kris Peeters expressed his support for the Go West policy of the Chinese government. Chongqing is one of the very fast-growing cities in China with still a big margin for further expansion, he said. He said he hoped the seminar would prove to be a great opportunity to expand the ties between the business communities of Flanders and Chongqing.

Mr. Chen Yu, Chairman of the Chongqing Sub-Council of the China Chamber for the Promotion of International Trade, welcomed the delegation to the city and gave a brief introduction of China's Go West policy and of Chongqing, from its origins in ancient times to its modern development. He also covered the priorities for doing business in Chongqing.

Mr Ulrich O.Birch, Chairman of the European Chamber Southwest Chapter and Senior Consultant at Consenec, a joint venture between ABB, Alstom and Bombardier in Switzerland, gave the perspective of European investors in Chongqing. Mr Birch has been based in Chongqing since 2005, so he has experienced quite some dramatic changes in the development of the city. He emphasized that the municipal government was very accessible to help overcome difficulties. The city benefits from preferential policies, such as a lower corporate income tax, but finding qualified personnel is still an uphill battle, the more so as more companies are investing. Chongqing has a strong manufacturing base and is a natural logistics hub.

Mr Claude Gong, Tax Partner, Deloitte & Touche Chongqing, more generally covered the challenges and opportunities for doing business in the West of China, including in Chongqing. His talk was more focussed on investing. China's Five Year Plan emphasizes development in the West of China to narrow the gap with the coastal areas, he said.

A brief Q&A session concluded the seminar. In Chongqing, Minister-President Kris Peeters also had a meeting with Mayor Huang Qifan.

The Flanders-China Chamber of Commerce is preparing a special report on Chongqing which will be made available to the members.

PUBLICATIONS

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

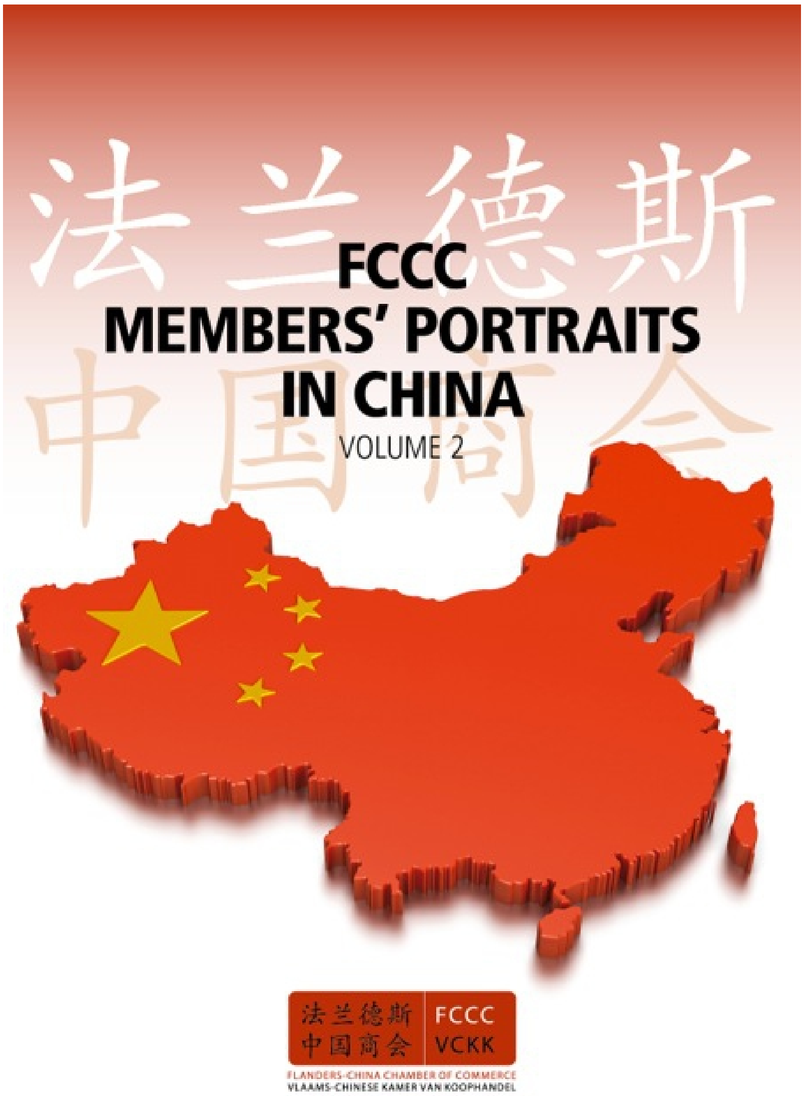
The Flanders-China Chamber of Commerce (FCCC) has published the second volume of “FCCC Members' Portraits in China”. The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties 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

ICBC eyes growth in Hong Kong retail deposits

ICBC Asia, the second-largest Chinese bank subsidiary in Hong Kong, is looking to boost new deposits as the first step to competing with the city's more established retail rivals. Flora Leung, Manager of the Personal Banking Department at the bank, said she expected retail deposits to grow by more than 30% for the rest of the year to help the retail arm expand at the same pace annually in terms of assets and profits. ICBC Asia has a tough fight on its hands as the top three players – HSBC, Bank of China (Hong Kong) and Hang Seng Bank – take in more than 60% of the total deposits in the city, according to financial advisory firm KPMG. Total deposits in Hong Kong rose 8% to HKD8.1 trillion last year. With the backing of its parent Industrial and Commercial Bank of China (ICBC), China's largest bank in terms of market capitalization, the Hong Kong subsidiary has been expanding its wholesale banking business as the main growth driver. Retail business only accounted for 3.4% of the bank's pre-tax profit in the first half, according to its interim financial statement. However, a retail network is important for any bank as a brand-building tool. ICBC Asia aims to have 60 branches in Hong Kong in the next one to two years, from the current 56, to increase its footprint in the city.

- The confidence of China's bankcard holders continued to be stable. The Bankcard Consumer Confidence Index dipped 0.04 points last month from August but was up 0.89 from a year ago to 86.69 points, according to China UnionPay, the country's sole bankcard transaction firm. Transactions at supermarkets rose 1.1% from a month ago. Expenditures at hotels dropped 1.02% and that at travel agencies 0.05% from August's spending. Restaurant spending also shed 0.8% from a month earlier affected by the government's ongoing crackdown on public dining and consumption.
- China's banks lent CNY787 billion last month, the People's Bank of China (PBOC) said, up from CNY623.2 billion in September last year. M2, China's broadest measure of money supply, rose 14.2% from a year earlier, meeting market expectations, but the growth slowed from the 14.7% expansion in August. In the first three quarters of this year, new lending totaled CNY7.28 trillion, up CNY557 billion from a year earlier.
- Hong Kong Monetary Authority Chief Executive Norman Chan does not believe the Hong Kong dollar's peg to the U.S. dollar needs to change. The Linked Exchange Rate System (LERS) was introduced on October 17, 1983, to link the Hong Kong dollar to the U.S. dollar at a fixed rate of HKD7.80 to USD1, to stem a confidence crisis in the Hong Kong dollar. LERS strips Hong Kong of its ability to set its own interest rates to tackle inflation as compared with economies that adopt a floating exchange rate regime.
- China raised its holdings of U.S. government bonds in five of the first seven months of this year, trimming them only in January and June, according to the U.S. Treasury. Beijing held Treasury bills worth USD1.2773 trillion at the end of July, USD56.9 billion more than at the end of last year. China's foreign exchange reserves grew by USD163 billion in the third quarter, the biggest quarterly increase since the second quarter of 2011. This suggests its Treasury holdings have also increased further. SAFE has never published details of the composition of its foreign-exchange reserves.
- The Bank of Communications Financial Leasing Co plans to launch a subsidiary specializing in aircraft and ship leasing in Shanghai's free trade zone (FTZ) by the end of this year. The subsidiary will lease aircraft and ships in foreign markets to tap tax benefits and relaxed restrictions over airplane purchase, order delivery and fundraising. The company's existing lessees include Korean Air and KLM.
- The decision by UK Chancellor George Osborne to allow Chinese banks to set up more easily in the UK is being questioned by the Treasury Select Committee of MPs.

Andrew Tyrie, Chairman of the Committee, is seeking assurances that the Finance Minister did not put too much pressure on the financial sector's regulatory bodies to relax rules to entice Chinese investment banking businesses to set up in London.

- Spanish bank Banco Bilbao Vizcaya Argentaria has sold a stake worth USD1.27 billion in CITIC Bank Corp, cutting its share from 15% to 9.9%. CITIC Bank's parent CITIC bought the shares, raising its stake to 66.95%.
- The China Banking Regulatory Commission (CBRC) allowed 11 selected banks to issue direct debt financing instruments (DDFI) under asset management plans (AMP) in a pilot scheme. Most banks were issued a quota of between CNY500 million and CNY1 billion. Banks will package loans and other assets into DDFIs, which are tradeable in the interbank market, and issue open-ended products in which investors shoulder gains or losses. The banking regulator has yet to decide whether to replace wealth management products (WMPs) with AMPs or let them co-exist.
- Chinese credit ratings agency Dagong downgraded the U.S. sovereign credit rating after the government shutdown and debt ceiling crisis and despite Washington's resolution of the debt ceiling deadlock, warning that fundamentals for a potential default remained "unchanged". Dagong lowered its ratings for U.S. local and foreign currency credit from A to A-, maintaining a negative outlook.
- China's first privately-owned banks to be set up under the tenure of Premier Li Keqiang are expected to emerge as early as the end of this year. Undeterred by a possible threshold of between CNY500 million and CNY1 billion in registered capital and the fact that their business operations will be restricted to the province in which they register, nearly 30 firms are applying for bank licenses even before detailed rules governing privately-owned banks are released by the regulator. About 10 companies were expected to get the nod in the next couple of months.

FOREIGN INVESTMENT

Chinese ODI to become more diverse

Chinese outbound direct investment (ODI) will become more diverse in both target markets and fields in the coming year, according to a report by global consulting firm Ernst & Young. Going global is necessary for the sustainable development of Chinese companies, said the report, titled "China Outbound Investment Trends and Prospects". "As China's domestic economy reflects a slight recovery, Chinese capital inflows to developed and developing economies will increase simultaneously next year," said Fabian Wong, Partner in E&Y's China Overseas Investment Department. For the first eight months, China's non-financial overseas direct investment increased 18.5% year-on-year to USD56.5 billion, according to the Ministry of Commerce (MOFCOM). Wong said that Chinese investors continue to reaffirm their interest in European markets this year, especially state-owned enterprises (SOEs). Private-sector companies also have a strong appetite for fast-appreciating assets in the region, but they lack a clear focus in terms of strategy and execution. Emerging economies in Europe such as Turkey are gradually becoming new investing destinations for Chinese companies, Wong said. Australia is another attractive market for Chinese investors, with private-sector companies taking a more active role in the market, the report said. In the first half of the year, the energy and metals sectors accounted for 64% of ODI, down from 78% in 2009. Investment in agriculture and technology saw a dramatic increase, representing 15% of total value, compared with 4% in 2009. KPMG said that China's ODI in the near future is likely to face a phase of adjustment and the pace may slow after the fast growth in the past decade. In 2012, China ranked third among all economies in terms of outward foreign direct investment flows into non-financial sectors at USD77.73 billion, up 13.3%, the China Daily reports.

Chinese companies to acquire stakes in British nuclear power plants

Britain's Finance Minister George Osborne announced that his government will allow Chinese companies to own a stake in new nuclear power plants as it tries to curb demand for fossil fuels. He made the announcement while visiting the Taishan nuclear power station in Guangdong province on the final day of his trade visit to China. The first China deal could be reached this week, with the go-ahead given for a new GBP14 billion plant at the Hinkley Point C site in Somerset in southwest England, the country's first new nuclear power station since 1995. France's EDF will lead the construction and it has been looking for partners from China, including China General Nuclear, to share the costs. China General Nuclear said it is willing to contribute to the nuclear development in the UK with its experience in construction and operation, particularly with EPR technology. China has 17 nuclear reactors in operation, accounting for 1% (13 GW) of the nation's electricity production capacity. Another 28 plants are under construction and the total nuclear capacity is set to rise to 80 GW by 2020. The UK has around 10 GW of nuclear capacity with up to 16 GW of new capacity planned by energy companies over the long term.

- Labor rights group China Labor Watch accused toy firm Mattel of labor violations at six supplier factories in China, including failure to pay overtime. The group put the value of what it called "wage theft" at the six factories at between USD8 million and USD11 million annually. Mattel's brands include Barbie and Fisher-Price. China Labor Watch said Mattel had failed to "rigorously" enforce its own code of conduct.
- China's foreign direct investment (FDI) growth accelerated in September, increasing 4.88% from a year earlier to USD8.84 billion, the Ministry of Commerce (MOFCOM) said. FDI from 10 Asian economies went up 7.47% year-on-year to USD76.29 billion in the January-September period, about 86% of the total, while FDI from the United States rose 21.3% compared with last year to USD2.88 billion. Investment from the European Union increased 23% year-on-year to USD5.94 billion in the same period.
- EU countries agreed a negotiating mandate for talks on an investment protection accord with China, aiming to boost access for EU firms. The talks are meant to be concluded within two and a half years at the latest.

FOREIGN TRADE

Number of exhibitors drop at Canton Trade Fair

The number of exhibitors at the autumn session of the Canton Trade Fair, which opened on October 15, has fallen the most since 2009. The twice-yearly Canton Fair, held in three conference halls in eastern Guangzhou, is a gauge of China's export performance in the following six to nine months. The number of exhibitors at the 114th Canton Fair has fallen by 229 to 24,517. This year is the first time exhibitor numbers have fallen at both the spring and autumn fairs. In 2009, the number of exhibitors rebounded at the autumn fair following the dip in spring. Emerging markets were one of the driving forces at the spring fair, accounting for more than a third of total contract value. But the negative impact of currency depreciations in emerging markets, including Russia, India, Malaysia, Indonesia, Peru, Thailand and the Philippines, would hang over the autumn fair, economists said. The decline in exhibitors was the result of a "selection of strength" policy to ensure the quality of the exporting companies, Canton Fair Spokesman Liu Jianjun said. Guangzhou University Economist Liu Songping, an expert on fairs and exhibitions, said a muted outlook for exporters, combined with a steep rise in operating costs for manufacturers, meant the number of small- to medium-sized enterprises was on the decline. "Only the leading companies or the companies that have their own branding could survive this tough economic situation," Liu said. Fair Spokesman Liu said the number of overseas buyers was expected to be on par with last autumn's session, which saw the number fall 10% to 188,145. He said an increasing number of big trade fairs in various cities, including Beijing, Shanghai and Yiwu, meant the long-term importance of the Canton Fair was declining.

China-Vietnam trade to reach USD100 billion by 2017

China and Vietnam will achieve a bilateral annual trade volume of USD100 billion by 2017, Premier Li Keqiang said during a luncheon with business leaders in Hanoi. China has been Vietnam's largest trading partner for nine years. Trade volume between the two countries exceeded USD40 billion in the first eight months of this year, putting the annual target of USD60 billion for 2015 within reach. In a joint statement issued during Li's visit, the two countries reiterated a policy of good-neighborliness and comprehensive cooperation. They agreed to set up three work teams to push forward maritime, onshore and financial cooperation. China would also increase imports from Vietnam to cut the trade surplus. Currency swap and yuan settlement deals are being discussed to facilitate trade. Vietnamese Prime Minister Nguyen Tan Dung said his country welcomes Chinese enterprises investing in Vietnam. China ranks 12th among the 100 countries and regions making direct investments in Vietnam. Premier Li said cooperation opportunities abound in infrastructure construction including road, railway, port and energy projects. Vietnam was the last stop of Premier Li's

Southeast Asia tour after visiting Brunei and Thailand, the China Daily reports.

Shipments dropping as manufacturing is losing advantage

Although China's foreign trade showed signs of a recovery during the first three quarters of the year, and emerging markets offer fresh opportunities, shipments to major partners are dropping and the nation is losing its manufacturing advantage. China's foreign trade rose 7.7% in the first nine months to CNY19.07 trillion, but the outlook is uncertain in at least some markets. Trade with the EU fell 0.8% to USD408.57 billion, while that with the U.S. was up 6.7% to USD379.1 billion. Trade between China and the Association of Southeast Asian Nations (ASEAN) has surged in the past decade, from USD54.77 billion in 2002 to USD400.1 billion in 2012. But many Chinese exporters said that booming manufacturing in Southeast Asia in recent years – where labor costs are lower than in China – has affected China's exports to the region.

- A simplified registration and processing system on trial in Shanghai's newly set-up free trade zone (FTZ) has helped corporations there to receive their business licenses within four working days, down from 29 days previously. The newly-launched registration system, which replaced the previous approval mechanism, has been identified as one of the major reforms in the zone.
- Economic cooperation and trade between China and the central Asian countries Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan, has accelerated in recent years. Trade with the five nations reached USD46 billion in 2012, up 13.7% from a year earlier. In the first eight months, trade totaled USD32.4 billion, up 16.7% year-on-year. China has become the largest trade partner of Kazakhstan and Turkmenistan, the second-largest trade partner of Uzbekistan and Kyrgyzstan, and the third-largest trade partner of Tajikistan. By the end of 2012, China's direct investment in these five nations hit USD7.82 billion. Direct investment from the five in China was about USD520 million.
- Shanghai police cracked China's largest export tax fraud in recent years, involving some CNY800 million. From 2009, a 17-strong gang took advantage of export tax rebate policies, reporting fake export and import prices to customs, the Shanghai Public Security Bureau's Economic Crimes Unit said. "The criminals cheated on tax rebates by repeatedly exporting and importing the same batch of goods," said Xu Xiang, Chief Inspector with the unit.
- Shanghai's exports rose 2.7% USD18.4 billion from a year earlier in September, bucking the 0.3% fall nationally. The city's imports grew 5.3% to USD21.4 billion. Several tools, such as export credit insurance, helped boost the city's exports. Shanghai's export credit insurance rose 16% from a year earlier to USD16.6 billion in the first nine months. Shanghai's exports to the United States surged 14.5% year-on-year in September, although shipments to the European Union fell 6.5%. The city's exports of high-tech products jumped 13.5% last month.
- Many buyers and exporters at the Canton Fair say they are expecting the yuan to strengthen further in the next 12 months. The expectation suppressed buying sentiment at the fair. The currency passed 6.10 to the U.S. dollar last week, the first time in 20 years, after Beijing stepped up measures to liberalize yuan trading and speculation increased it would raise the official daily fixing exchange rate.
- New measures to ease corporate registration and customs clearing procedures in the Shanghai free trade zone have been successful. "In the first three working days after the national holidays, more than 1,900 companies submitted registrations in the zone – nearly triple the number for the whole of last year," Dai Haibo, Deputy Director of the zone administration said. New companies can get business licenses within four working days after submitting materials.

HEALTH

New policies to attract private capital in health sector

The Chinese government has issued new policy guidelines on developing private health services. The policies, which cover market access, financing and equitable treatment with state-run service providers, will create a more favorable environment for private capital in the sector. A major regulatory shift in the new guidelines is that private investment would now be eligible to participate in any sector of the industry if not explicitly forbidden. The guidelines also stipulated that non-local investment would enjoy the same level of market access as local private investors. The provision of basic medical care would remain the responsibility of the government. Health service providers funded by private capital would be eligible to receive government financial aid, according to the new policy. “Medical services have always been referred to as 'public services' in government documents, but this document for the first time refers to it as an 'industry'. This is a shift of direction,” said Zhou Zijun, Professor at the School of Public Health of Peking University. “The importance of private investment is stressed and the past obstacles set by administrative monopoly will be broken.” Zhou said the new guidelines laid the foundations for more drastic changes in health care reform, especially regarding public hospitals. Non-profit private medical institutions will enjoy the same favorable policies as public ones in taxation, land use and use of basic facilities, while for-profit institutions will get a discount. The government will also encourage insurance companies to diversify commercial health insurance products.

- 116 medical staff from 85 institutes in Tianjin were involved in a bribery scandal with French infant formula producer Dumex. Staff collected personal details of newborn babies for the company, gave presentations, distributed publicity materials and offered free introductory cans of Dumex. In return, they received kickbacks from the company, which is part of French food group Danone, an investigation found. Staff every month received sums ranging from hundreds to tens of thousands of yuan. Danone said it will appoint new management at Dumex.
- The United Nations’ AIDS agency condemned a draft regulation by the Ministry of Commerce (MOFCOM) to ban HIV-positive people from spas and public bathhouses. Hedia Belhadj, China Country Coordinator for UNAIDS, said there was no risk of transmission of HIV in a spa or bathhouse setting. The proposed rule is open for public consultation until next month. UNAIDS estimates that there are 780,000 people living with HIV in China.
- Taiwan is scheduled to roll out its first vaccine against the H7N9 strain of avian flu late next year, researchers said. “We plan to start Phase II clinical trials in March,” which will contain 300 clinical cases, Su Ih-jen, Director of the National Institute of Diseases and Vaccinology at the National Health Research Institutes (NHRI) of Taiwan, said. The project is scheduled to move into Phase III clinical trials in June, with 1,000 people being tested. The NHRI will be able to produce 200,000 doses of the cell-based vaccine once the project clears the Phase III trial stage, he said.
- Health-care provider Bupa purchased Hong Kong's largest private health-care chain, Quality HealthCare Medical Services for USD355 million. The two companies will operate independently once the acquisition is completed this month. Bupa Asia Managing Director Ann Coughlan said the company expected increased demand for medical services in Hong Kong.
- A case of human H7N9 avian flu was reported in Zhejiang province. Medical experts said autumn and winter are the seasons for respiratory diseases like flu and there was a possibility that H7N9 cases may make a comeback. Dr Lu Hongzhou, a Member of China’s H7N9 prevention and control expert group and Vice President of the Shanghai Public Health Clinical Center suggested a complete ban on the live poultry business to help control the spread of H7N9. Live poultry trade was suspended in Shanghai in April but resumed in late June.
- Mark Reilly, GlaxoSmith-Kline’s former head of operations in China, is helping anti-corruption officials investigating allegations of extensive bribery by the drugmaker. Reilly had been requested to remain in China while the investigations proceeded but had not been detained by Chinese authorities. A number of Chinese employees of GSK have been detained, including four senior members of the local management team. GSK has admitted that some Chinese executives appeared to have broken the law and has said it plans to change its business model to lower the cost of medicines in the country.

IPR PROTECTION

Patent center to be set up in Chengdu

The first patent examination and cooperation center in China's west will be established in the provincial capital Chengdu. Tian Lipu, Commissioner of the State Intellectual Property Office (SIPO), said Sichuan is a regional leader in information, innovation and human resources that provide strong support for development and innovation in the region. By 2018, the center is projected to have 2,000 employees and examine about 110,000 patents yearly.

- Shandong province topped the country in the number of trademarks with geographical indication status in the first half of this year. There were 25,000 new trademarks granted to companies in the province over the same period, bringing the total to more than 320,000.
- The second China Internet Innovation and Intellectual Property Protection Summit was held on October 17 in Hangzhou. Company managers, government officials, renowned experts and venture capitalists discussed hot issues such as privacy protection in the era of big data, cross-border cooperation in cloud computing technology, internet-related IP protection and the application of digital evidence in legal cases.

MACRO-ECONOMY

Inflation reaches seven-month high

China's inflation rose to a seven-month high in September amid a spike in food prices, poor weather and the Mid-Autumn Festival holiday, data from the National Bureau of Statistics (NBS) showed. It may limit the central bank to carry out further measures to support the economy even as exports declined last month. The Consumer Price Index (CPI) expanded 3.1% from a year earlier in September. It quickened from the rise of 2.6% in August, and exceeded the market expectations by a large margin. Food prices, which account for nearly one third of the CPI basket, jumped 6.1% year-on-year last month, up from the gain of 4.7% in August. Yu Qiumei, NBS Senior Statistician, said the rising food prices contributed the most to the increase of CPI, along with other factors such as higher costs of gasoline and traveling, as well as the droughts and floods that took place last month. "Inflation is likely to remain above 3% in October and November," said Zhou Hao, Analyst at Australia & New Zealand Banking Group. He added that the likelihood of an interest rate or a reserve requirement ratio (RRR) cut before the end of this year has been greatly reduced. Some analysts shrugged off the inflationary pressure. Zhu Haibin, Chief Economist for China at JPMorgan, said the higher-than-expected reading of the September CPI did not change his view that inflation remains at benign levels in the near term. "Our full-year forecast of inflation now stands at 2.7%, and the fourth-quarter CPI may remain stable at the current level," Zhu said. In the first three quarters, China's CPI rose 2.5% year-on-year, well below the 3.5% limit set by the government. The Producer Price Index (PPI), which tracks factory-gate inflation, dropped 1.3% on an annual basis last month, narrowing from the 1.6% decline in August, the Shanghai Daily reports.

New plan to tackle overcapacity

China will tackle chronic overcapacity problems in the steel, cement, electrolytic aluminum, sheet glass and shipping sectors by blocking approvals for new projects and making better use of the market, according to a new plan issued by the State Council. Margins in the targeted sectors have been affected for years by overcapacity. China is the world's biggest producer of steel, aluminum and cement. Last year, the capacity utilization rate of the steel industry was only 72%. The rates were just 73.7%, 71.9%, 73.1% and 75% for cement, electrolytic aluminum, sheet glass and shipping, all far below international norms. The combined first-half profits of members of the China Iron and Steel Association (CISA) totaled only CNY2.27 billion, with an average profit margin of 0.13%, the lowest among all industries. The Chinese government said it would focus on "establishing and perfecting" market mechanisms. It would also set higher environmental and quality standards for industries and encourage the private sector to play a role in restructuring oversized firms. As well as blocking new approvals, the new plan will seek to absorb overcapacity by stimulating domestic demand and offer tax incentives to encourage firms to relocate plants overseas. The previous approach sought to encourage large state-owned firms to merge with or swallow up smaller competitors but it was not successful, with industry experts complaining that the focus on strengthening state firms had served to raise capacity, rather than reduce it. China will also establish higher electricity and water prices for firms that violate environmental standards. Past efforts to rein in overcapacity had failed to tackle the role played by growth-obsessed local governments, which had encouraged rapid capacity expansions with subsidies, access to credit and favorable contracts. Beijing has already launched a series of reforms that will reduce the role of local governments in the approval process while attempting to strengthen their regulatory powers. Vice Minister Su Bo of Industry and Information Technology told a conference last month that "administrative interference" in industry was one of the biggest causes of overcapacity, adding that preferential policies in areas such as land allocation had distorted the market and created unfair competition.

Number of Chinese with USD1 billion of assets up 49%

Forbes magazine released the 2013 Forbes China Rich List, a ranking of the top 400 wealthiest Chinese. Based on calculations as of September 26, the number of Chinese mainland residents with personal assets of more than USD1 billion rose to 168 – an increase of nearly 49% from last year's 113. In 2003, when Forbes published the list in China for the first time, there was only one person with a fortune estimated at USD1 billion. The threshold to enter the list this year was CNY600 million. The combined net worth of those on the list surged 35% to CNY3,475 billion, or CNY8.7 billion each on average. For the top 100, the wealth growth was even faster, reaching a pace of 44%. Top of the list is property tycoon Wang Jianlin, Chairman of Dalian Wanda Group, with CNY86 billion. Last year's richest man, Zong Qinghou of Hangzhou Wahaha Group, was second with CNY68.3 billion. Robin Li, Founder of Baidu, China's biggest search engine provider, was third on the list with CNY67.7 billion. There are 87 newcomers on the list, led by Li Hejun of Hanergy, one of the world's biggest solar panel makers, with CNY66.5 billion in personal assets, the Shanghai Daily reports.

- China's economy is likely to expand 7.7% from a year earlier in 2013, according to the Chinese Academy of Social Sciences (CASS), which is higher than the government's 7.5% target. Last month, the International Monetary Fund (IMF) projected China's growth would be around 7.75% for this year. The CASS said China's exports may rise 8.7% annually in 2013 while imports are likely to add 7.5%.
- China's power consumption rose 10.4% from a year earlier to 444.8 billion kilowatt-hours (kWh) in September, the National Energy Administration (NEA) said, down from the 13.4% surge in August, the fastest so far this year. Power consumption by the industrial sector rose 8.1% to 306.2 billion kWh last month. Electricity consumption by agriculture, animal husbandry and fishery rose 5.5% to 8.2 billion kWh, while that of the service sector gained 13.3% to 58.4 billion kWh. Residential power consumption increased 19.3% to 72 billion kWh. China's power consumption rose 7.2% in the first three quarters.
- China is on track to meet its economic growth target of 7.5% this year despite higher-than-expected 3.1% inflation in September and exports shrinking 0.3% year-on-year, Premier Li Keqiang said. Wrapping up a tour to three South-east Asian nations, Li said Beijing would continue to deepen economic reform "in a brave and not-turning-back manner" in order to achieve sustainable growth. "We are able to achieve our main economic targets this year", Premier Li Keqiang said.
- The number of Chinese companies on the latest Fortune 500 list has risen to 95, keeping China in second place after the United States and maintaining its 10th consecutive year of rising rankings. Domestic companies generated CNY5.2 trillion in combined revenue last year, about 17% of the total among Fortune 500 companies. Sinopec topped the ranks of Chinese companies.
- Hong Kong retained its status as the world's freest economy, according to the Canadian-based Fraser Institute. Singapore came in second while China ranked 107th. The "Economic Freedom of the World 2012" report quantifies a range of "freedom ratings", including the size of government, rule of law, securities, credit and labor market regulations, and hurdles to doing business. Hong Kong has been No 1 since 1970.
- China's economy expanded 7.8% in the third quarter, up from an increase of 7.5% in the second quarter. In the first nine months, China's economic output grew 7.7% from a year earlier to CNY38.68 trillion, the National Bureau of Statistics (NBS) said. In the first three quarters, industrial production expanded 9.6% year-on-year, quickening

from the pace of 9.3% in the first half. Growth of fixed-asset investment (FAI) stood at 20.2% in the first nine months. Retail sales increased 12.9%.

- Chinese companies are likely to be exposed to a higher risk of corruption than those in other emerging markets due to a lower level of corporate transparency, a study by Transparency International said. A recent ranking showed that Chinese companies were, overall, the worst performer in all BRICS countries when it came to disclosing information about their organizational structure, financial statistics and anti-corruption programs. The 33 Chinese companies included in the study received an average score of two out of a maximum of 10. The average score of all surveyed companies was 3.6.

MERGERS & ACQUISITIONS

Shanghai Electric to take 25% in Malta's Enemalta

Shanghai Electric Power plans to invest about €200 million in Malta's state-owned energy provider Enemalta, the island nation's Finance Minister, Edward Scicluna, said. The Chinese company's acquisition of a 25% stake in Enemalta would help to offset about €800 million in debt that the Maltese government had guaranteed for the utility, and help the government meet its deficit-reduction target, Scicluna said. The companies were negotiating the sale price and a deal was expected to be completed by February, Scicluna said in Luxembourg before a meeting of euro-area Finance Ministers. Scicluna said Siemens Project Ventures would lead a consortium to build a natural gas-fueled power station in Malta to be run by ElectroGas Malta, a newly created joint venture.

Overseas M&A deals on the rise

Chinese overseas mergers and acquisitions reached a new high in the first half of the year, with deals getting bigger in size and higher up on the value chain, Deloitte Touche Tohmatsu said in a report. Chinese companies closed 98 deals worth USD35.3 billion in the January-June period, compared with 97 transactions totaling USD22.9 billion in the same period last year. Mega deals worth more than USD1 billion accounted for a record high of 13% of total deals this year, as Chinese investors are more confident about overseas activity. Deals under USD100 million accounted for 48.1%, the lowest level since 2005. More than half of the 98 deals were in the energy, resources and consumer sectors. A total of 52 deals – worth USD29.1 billion – took place in the two sectors in the first half, up from 49 transactions totaling USD17 billion in the first half of last year. Around three-quarters of the respondents to a Deloitte survey, which polled 100 Chinese “M&A practitioners”, said that they are looking to buy overseas assets sometime over the next three years. 90% said that the aim of their outbound M&A activities would be to acquire cutting-edge technology, 86% to secure resources and 86% to grow their overseas market share. He Bangjing, President of the China Appraisal Society, stressed the importance of target appraisal due to the Chinese companies' intensifying outbound M&A activities. Adequate transnational appraisal work would help Chinese companies to better identify high-potential assets, and mitigate risks, she added. She encouraged companies to seek professional help to get quality appraisals, the China Daily reports.

- WPP, the world's largest advertising company, is acquiring digital advertising agency IM2.0 through its VML operating company as part of its strategy to expand in China. The country is WPP's third-largest market – behind the United States and Britain – with revenue, including associates, of USD1.4 billion and about 14,000 workers. IM2.0, which has offices in Beijing and Shanghai, creates online strategies and advertising campaigns. Its clients include Dell, Adidas, and Qingdao Haier. It has a workforce of 230 and assets of about CNY200 million. With the IM2.0 purchase, WPP has bought five Chinese companies this year, including market researchers Miaozhen Systems and Sinotrust International Information & Consulting Beijing.
- Henan-based Meijing Group, a Chinese real estate developer, has completed its purchase of 84-year old Mooney Aviation Co, a United States-based manufacturer of utility aircraft, on October 11 after the U.S. Committee on Foreign Investment (CFIUS) approved the deal. Meijing Group paid about USD100 million and promised to invest another USD1 billion at a later stage. Zhengzhou, the capital of Henan province, was

approved as China's first air economic zone by the central government early this year.

PETROCHEMICALS

Russia's Lukoil to expand oil and gas export to China

Vagit Alekperov, Chief Executive of Russia's Lukoil, said the company was looking for Chinese partners as it tries to expand its business in East Asia. Lukoil has production ventures abroad with China's two biggest oil companies, PetroChina and Sinopec. Lukoil, Russia's second-largest oil producer, wants to increase exports of crude oil and refined products such as lubricants to China and other East Asian markets, Alekperov said. China overtook the United States in September as the world's biggest oil importer. Alekperov said Lukoil wanted a Chinese partner to help develop an oilfield in Iraq but failed to find one. Alekperov ranked fifth on Forbes magazine's list of the wealthiest Russian businesspeople this year with a net worth of USD14.8 billion. Lukoil, which is listed on the London stock exchange, has said it also wants a listing in Hong Kong but Alekperov said that was delayed by regulatory hurdles. A Lukoil listing would be the second major Russian presence in the Hong Kong market following Rusal, an aluminum producer that listed in 2010.

- The China National Petroleum Corp (CNPC) predicted that its domestic natural gas supply will increase 13% to 57 billion cubic meters during the coming winter and spring seasons. Some Chinese cities begin using natural gas instead of coal for winter heating to reduce damage to the environment. In Beijing, CNPC may raise the natural gas supply during winter and spring by 3% to 7.41 billion cubic meters.
- Wei Zhigang, former General Manager of PetroChina's Indonesian operations, has been put under a corruption investigation. He was removed from his post several weeks ago. PetroChina and its parent, China National Petroleum Corp (CNPC), are at the center of one of the biggest corruption investigations in the Chinese state sector in years, but until now, no executives from PetroChina's foreign operations had been implicated.
- Russia's top oil producer Rosneft signed a memorandum with China National Petroleum Corp (CNPC) giving China its first direct access to energy-rich East Siberian fields. The preliminary agreement aims to help Rosneft meet the terms of a USD270 billion deal signed in June that doubles Russia's oil exports to China over 25 years. The agreement gives Rosneft a 51% stake and CNPC 49% in a joint venture for upstream developments.

REAL ESTATE

Rents on the rise in and around Waigaoqiao

Waigaoqiao in Shanghai is most likely to emerge as the future CBD of the city's free trade zone (FTZ) whose establishment is boosting rents and asset values of offices both in and around the zone, major international real estate services providers said. "Due to limited supply of high-quality offices within the zone at the moment, robust demand for office space, mainly from enterprises seeking registration in the zone, is boosting leasing sentiment in neighboring areas, with high-quality offices in the Pudong New Area being the most sought after," said Carlby Xie, Director of Research, China, Colliers International. Research by CBRE has shown that the average office rent in the FTZ has actually doubled to about CNY4.20 per square meter per day now, with several buildings even seeing their rentals more than tripled since the zone was established in late September. "While growth has been recorded in both rent and capital value of office properties in the FTZ, we expect Waigaoqiao, in particular, to become the future CBD of the zone due to its comparatively mature location, infrastructure and better ancillary facilities," said Sam Xie, Director of Research at CBRE China. "In addition, the management committee of the FTZ is located in Waigaoqiao while the first batch of banks to have received regulatory approval to open outlets in the zone all chose Waigaoqiao to set up their sub-branches, boosting Waigaoqiao's further development." CBRE's research shows office rents in Waigaoqiao have surpassed those in Jinqiao, Zhangjiang and Caohejing, the Shanghai Daily reports.

Developers set to beat yearly goals

Major developers are on track to reach their annual sales targets ahead of schedule and rack up new full-year records, analysts have forecast. The outlook is based on figures for the first nine months of the year reported by 30 leading property companies, which generated an aggregate CNY917.6 billion in sales. China Vanke Co and Greenland Group achieved CNY100 billion in revenue during the January-September period. Shui On Land saw the largest revenue surge – 239.7% – followed by Country Garden Holdings with 119% growth. In terms of absolute value, Vanke took the lead with CNY127.9 billion, followed by Greenland with CNY101.2 billion, China Overseas Land and Investment with CNY90 billion and Poly Real Estate Group Co with CNY89.55 billion, according to the China Real Estate Information Corp (CIRC). In the first nine months, the top 10 developers by revenue held a 14.4% market share, up from 14% a year earlier. Major developers have met more than 70% of their annual sales goals so far, with Country Garden Holdings and China Overseas Land almost reaching their full-year goals. Zhang Hongwei, Research Director of Shanghai-based property consultancy ToSpur, estimated that major developers' sales revenue will grow 20% to 30% this year. Seven companies are likely to achieve sales exceeding CNY100 billion, against three last year.

New home prices in the 10 biggest cities rose 13.87% year-on-year to CNY18,179 per square meter in September, extending their rise to 11 months, according to the latest report from the China Index Academy, the research arm of Soufun, China's largest property website. Beijing saw the biggest month-on-month property price rise of 3.75%, followed by Shenzhen, which posted a 3.15% month-on-month gain. Price increases in Guangzhou and Shanghai stayed between 1% and 1.5%. The Chinese property sector will experience a prolonged bull market, with prices rising 10% annually over the next decade, Bank of America Merrill Lynch predicted, as reported by the China Daily.

Land sales up 70% in first three quarters

Land sales in Chinese cities soared to a record high in the first three quarters of the year. Data from the China Index Academy showed land transfer fees in 300 major Chinese cities added up to CNY2.11 trillion by the end of September this year, up 70% from the CNY1.23 trillion recorded during the same period last year. The total supply of land parcels increased 8.9% year-on-year to 1.18 billion square meters, including 430 million sq m for residential land. Shenzhen witnessed the fiercest land market rise by far this year, with its land sales income up by 475% from a year before, followed by Guangzhou, which saw an increase of 431%. Among the top 10 cities with the highest land sales revenue in the first three quarters, six witnessed an increase of more than 100% compared with the same period last year. Nationwide, Shanghai acquired the highest income from land sales in the first three quarters, with CNY156.8 billion going into the pockets of the local government. In September alone, Shanghai auctioned 18 commercial land parcels for CNY40.3 billion, a record high so far this year in terms of both area and revenue. The 10 major property developers in China, including China Vanke Co and Evergrande Real Estate Group, have paid a total of CNY244.7 billion at land auctions so far this year – 50% more than in the same period last year and 11% more than the whole of last year. But experts also warned such surging land prices may not be sustainable, the China Daily reports.

- The rental growth of Swire Properties' China portfolio will remain strong on the back of consumers' appetite despite a slowing economy, said Chief Executive Guy Bradley. Swire Properties, which operates Guangzhou's retail-office-hotel project Taikoo Hui as well as Beijing's Indigo and Taikoo Li Sanlitun, posted a 20.2% increase in gross rental income in the first half of this year from a year earlier to HKD784 million. With the Daci Temple mixed-use project in Chengdu to be completed in the middle of next year and the Dazhongli project in Shanghai's Nanjing West Road scheduled to open in 2016, the firm's mainland developments will account for one-third of its investment portfolio. Mainland China accounted for 16% of the company's gross rental income in the first half.
- New home purchases rose 34.5% between January and September from the same period a year earlier to CNY4.54 trillion. By volume, 754.3 million square meters were bought during the first nine months, up 23.9% year-on-year. In September alone, the value of new home sales in China surged to CNY691.1 billion, up from CNY514.6 billion in August. By volume, 119.27 million square meters were transacted, a rise from 86.59 million sq m in August.

- Hutchison Whampoa and Cheung Kong announced each will sell a 50% stake in Extreme Selection, the owner of the company developing a property project at Lujiazui Ring Road in Shanghai. HYZL Development and HYZL Investment would each buy 47%, while Diamond Gate Group, a China Everbright subsidiary, would take the remaining 6%. Additionally, Hutchison said it would not sell ParknShop, as the sale “at this time would not deliver maximum value” to shareholders.
- JPMorgan Chase's has sold 1 Chase Manhattan Plaza in New York to Fosun International in the largest purchase yet of a New York building by a Chinese buyer. Shanghai-based Fosun, run by billionaire Guo Guangchang, agreed to buy the 60-story lower Manhattan tower for USD725 million. China leads all foreign countries in New York property investment this year with USD1.37 billion of acquisitions, not including Chase Manhattan Plaza, according to Real Capital.

RETAIL

SAFE to buy Paris shopping center

China's State Administration of Foreign Exchange (SAFE) is seeking to acquire a large shopping center in Paris with the aim of diversifying its investment portfolio into the European high-end commercial real estate market. SAFE, which manages China's USD3.4 trillion in foreign-exchange reserves, is among the potential bidders to buy the Beaugrenelle shopping mall situated in a prime location of the capital, in the vicinity of the Eiffel Tower on the Left Bank of the Seine river. The Beaugrenelle shopping center is scheduled to open on October 23 with 120 shops, one department store, a 2,000-seat cinema and a dozen restaurants. SAFE established a fully owned company, SAFE Investment Co, in Hong Kong in 1997. That entity has served as the investment arm of SAFE, helping manage its foreign-exchange reserves through overseas investment. The approximate value of the potential acquisition is at least €700 million, which will make it one of the most expensive retail spaces in France if the deal proceeds. The owners of the shopping center, Gecina, a French real estate investment trust that holds an 85% stake, and the APSYS Group, a commercial property operator, declined to comment when contacted by China Daily. SAFE is diversifying its investment portfolio to lower risks, and investing in physical assets in Europe may be safer or yield higher returns than U.S. government securities.

Wumart buys Lotus stores for HKD2.3 billion

Wumart Stores will acquire most of the Lotus supermarkets in China in a share-swap deal worth HKD2.3 billion. The Lotus chain, operated by Charoen Pokphand Group, is owned by Thailand's richest man, Dhanin Chearavanont. After the acquisition, Wumart will own all the Lotus supermarkets in China except for branches in Guangdong and Hunan provinces, which will remain under Lotus management. CP Lotus would acquire a 13.77% interest in Wumart and in exchange give a 9.99% stake to Wumart, the two companies said at a press conference. “Through this partnership, we will gain prime locations in Shanghai and Beijing that would be hard to achieve organically,” Wumart President Xu Ying said, adding the choice of a share swap, rather than cash, was not due to reservations about the viability of the stores. “On the contrary, we have confidence in the partnership and see growth prospects.” Although the deal does not signify a complete exit from the mainland for CP Lotus, it exemplifies the highly challenging and fragmented environment facing supermarket retailers. Lotus is the second foreign supermarket operator to join hands with a domestic chain this year. Tesco, the world's third-largest retailer by revenue, formed a joint venture with state-backed China Resources Enterprise after struggling for nearly a decade to crack the market. Lotus reported a loss of CNY392 million last year, according to its annual report. But Vice Chairman Ed Chan said it planned to boost its remaining 19 stores and look into expanding in neighboring provinces. Lotus opened two stores in Guangzhou and Hunan last year and this year will open three more hypermarkets, the South China Morning Post reports.

Galeries Lafayette opens store in Beijing

After shutting down its first Chinese store 15 years ago, French upmarket department store operator Galeries Lafayette opened a new store in Beijing. The company has formed a 50-50 joint venture with Hong Kong fashion brand management company I.T to run the Beijing store, which cost €42 million and three years to build. “Beijing is a totally different place compared with 15 years ago,” said Laurent Chemla, Chief Executive of Galeries Lafayette (Beijing). “The fashion market has been evolving very fast for the past five to six years and people here have become more trendy and fashionable." Located in Xidan, the six-storey Lafayette store spans 47,000 square meters, about half the size of its Paris store. Unlike its Paris store, which accommodates top luxury brands, the retailer is introducing mainly high-end niche brands in China, such as Delvaux, Maje and The Kooples, to cater for shoppers' increasingly sophisticated taste and demand for high-end products. "We have luxury brands, but not only luxury brands. We'd like to call ourselves a fashion store." Chemla said. "Our aim is to bring more new and different fashion choices to Chinese consumers." Chemla said more than 200 of the 500-plus brands sold in the store were being made available in China for the first time. Aside from fashion, cosmetics, accessories and leather goods, there are also French and Asian restaurants including the renowned Café Angelina and a Bordeaux wine cellar. "We are now exploring the opportunity of opening more stores in other Chinese cities," said Chemla. The company runs 65 stores worldwide and posted sales revenue of €3.7 billion last year, the South China Morning Post reports.

- China Central Television (CCTV) criticized Starbuck's prices in China. It said Starbucks coffee and mugs were more expensive in China than in London, Chicago and Mumbai. A cup of 354 milliliters of Latte coffee costs CNY27 in China, compared to only CNY19.98 in Chicago, CNY14.6 in Mumbai and CNY24.25 in London. Starbucks said that the Chinese market was still in the early stage of development and required a lot of investment in infrastructure. Wang Zhendong, Director of the Coffee Industry Commission of the Shanghai Food Association, said that the price of coffee beans has been going down since 2011 while Starbucks was raising its prices. Starbucks plans to more than double the number of its stores in China to 1,500 by 2015.

SCIENCE & TECHNOLOGY

China marks 10 years of manned spaceflight

China marked 10 years since it first sent a human into space. Yang Liwei orbited the Earth 14 times during his 21-hour flight aboard the Shenzhou 5 in 2003, making China the third country after the former Soviet Union and the U.S. to carry out an independent manned spaceflight. Since then, China has sent a total of 10 astronauts – eight men and two women – into space on five separate missions, and launched an orbiting space station, Tiangong-1. Its latest manned trip was the 15-day Shenzhou 10 mission in June. An unmanned moon rover is to be launched by the end of this year, a fourth launch center will be inaugurated in two years' time, and a permanent orbiting space station is to be completed by 2023. "The regional benefits that China has gotten from being seen as the regional space leader have really translated into military and economic prestige," said Joan Johnson-Freese, Professor of national security affairs at the U.S. Naval War College in Newport, Rhode Island, and an expert on Chinese space activities. The timing of China's space station launch and the absence of U.S. activities "will de facto make them a space leader", said Johnson-Freese. China's 30-year space plan was "a long-term approach that has long-term advantages", she added.

Nine universities sign academic freedom pact

The Deans of nine of China's leading research universities have signed a statement that commits them to work together to advance and uphold academic freedom. The Hefei Statement on the 10 characteristics of contemporary research universities was announced at the annual meeting of the Chinese C9 League in Hefei, Anhui province. The statement was jointly drawn up by the C9, the League of European Research Universities (Leru), Australia's Group of Eight universities and the Association of American Universities (AAU). It is the first attempt to provide a shared, global definition of the key qualities that are necessary for research universities to be effective. The C9 members are Fudan, Nanjing, Shanghai Jiaotong, Tsinghua, Xian Jiaotong and Zhejiang universities, the Harbin Institute of Technology, Peking University and the University of Science and Technology of China. A research university would exhibit "the responsible exercise of academic freedom by faculty to produce and disseminate knowledge through research, teaching and services without undue constraint within a research culture based on open inquiry and the continued testing of current understanding", the statement said.

- Scientists have discovered the earliest known complete nervous system preserved in the fossilized remains of a creature that crawled or swam in the ocean 520 million years ago. The 3 cm-long fossil, found in the Chengjiang formation near Kunming, Yunnan province, is a distant relative of scorpions and spiders and belongs to an extinct group of marine arthropods known as megacheirans.
- Peking University's School of Economics has dismissed Economics Professor Xia Yeliang. He will remain employed by the university until his contract expires on January 31, more than 13 years after he started teaching. Xia has been a vocal advocate for Western democracy in recent years.

STOCK MARKETS

London second city to get RQFII quota

China agreed to grant London-based institutional investors an CNY80 billion quota to invest in stocks under the renminbi qualified foreign institutional investor (RQFII) scheme, it was announced after the fifth China-Britain economic and financial dialogue. London thereby became the first city after Hong Kong to be allowed to invest directly in domestic securities, ahead of Taipei and Singapore, which are also eager to get quota. RQFII started in 2011 in Hong Kong, allowing yuan funds raised in the city to be invested in mainland stocks and bonds. UK Chancellor of the Exchequer George Osborne said he wanted the quota to be used as quickly as possible. "My ambition is to make sure London becomes the Western hub for yuan business," he said after meeting Chinese Vice Premier Ma Kai. Ma said the two countries had also reached an agreement on direct trading between the yuan and the British pound. This follows the CNY200 billion currency swap agreement between the People's Bank of China (PBOC) and the Bank of England in June. The European Central Bank (ECB) and the PBOC also signed a CNY350 billion swap deal earlier this month. In return for the RQFII quota, Britain has agreed to allow Chinese banks to set up branches in the UK.

- Speculation over the opening of an international board in the China (Shanghai) Pilot Free Trade Zone, although denied by the Shanghai Stock Exchange, has taken on a new twist, with a published report saying that foreign companies might be able to sell shares in the zone. The Shanghai Equity Exchange, in which the Shanghai Stock Exchange holds a 29% stake, plans to develop a platform to enable foreign companies registered in the FTZ to sell shares. The Shanghai Equity Exchange is Shanghai's only over-the-counter (OTC) market for unlisted companies.
- The State Administration of Foreign Exchange (SAFE), the manager of China's USD3.66 trillion in foreign exchange reserves, has signed its first official partnership agreement with a foreign academy. The London Business School (LBS) will train mid-level executives from SAFE, who have an average of eight to 10 years of working experience, in a fast track of its master's program in finance. The school will admit 140 people a year to the program.
- The Poly Culture Group plans to raise around USD100 million in a Hong Kong IPO after it abandoned its planned IPO at the Shanghai Stock Exchange earlier this year. Poly Culture would become the first major Chinese auction house to go public outside the mainland, helping it raise its international profile. Poly Culture has three core business lines: art auction and management, theatre management, and investment in the movie and television business.
- Sands China shares rose to a record high, as the Macao casino operator controlled by Sheldon Adelson posted an 89% jump in third-quarter profit as its new resort draws more gamblers. Its shares are up 70% this year. Net income for the unit of Las Vegas Sands increased to USD617.9 million from a year earlier while revenue climbed 43% to USD2.34 billion.
- Alibaba has paved the way for a listing in the United States, with a Spokesman saying that both the New York Stock Exchange (NYSE) and Nasdaq had accepted its special partnership structure, which would let its top executives nominate the majority of board members. Alibaba's partnership structure derailed its initial public offering (IPO) plan in Hong Kong. Alibaba has not yet selected an exchange or appointed underwriters for a U.S. listing.

VIP VISITS

Indian Prime Minister Manmohan Singh to visit China

Indian Prime Minister Manmohan Singh, who is currently visiting Russia, will also pay an official visit to China later this week aimed at strengthening trade ties and addressing a decades-old border dispute. He will also look to secure energy, defense and other economic deals. Before leaving India, Singh said he would try to address “areas of concern” during his visit to Beijing. “India and China have historical issues and there are areas of concern,” he said, adding they would not affect “the overall atmosphere of friendship and cooperation”. India seeks a breakthrough in a border row with China that has soured relations for decades, after the leaders of both countries pledged earlier this year to build trust. China and India fought a brief war in 1962 and the border between the two nations has never been properly demarcated, although they have signed accords to maintain peace. China is India’s biggest trading partner, with two-way commerce totaling USD67.83 billion last fiscal year, up from USD2.1 billion in 2001-02, but India’s trade deficit with China soared to USD40.77 billion last year from just USD1.08 billion in 2001-02, Indian figures show.

- The State Council's Taiwan Affairs Office (TAO) has ruled out the possibility of a meeting between the Chinese and Taiwanese Presidents Xi Jinping and Ma Ying-jeou during next year's Asia Pacific Economic Cooperation (APEC) summit in China. “A cross-strait leaders' meeting is an affair between the Chinese people on the two sides of the Taiwan Strait, and will not be held through any international venue,” Fan Liqing, Spokeswoman of the mainland's Taiwan Affairs Office said. The mainland leadership has consistently opposed the attendance of the Taiwanese leader at the summit to avoid the impression that the island is an independent state.
- An annual trilateral summit involving the leaders of China, Japan and South Korea is likely to be postponed because of strained ties among the three countries. The summit, which was due to be held in South Korea, will probably not be held this year as Seoul has yet to put forward an agenda and itinerary.

ONE-LINE NEWS

- The Mayor of Nanjing Ji Jianye has been placed under Communist Party investigation for “economic crimes”, dismissed from his post and taken to Beijing. The amount of money involved may exceed CNY20 million. Before becoming Nanjing mayor in late 2009, Ji, 56, was Mayor and later Party Secretary of Yangzhou, the hometown in Jiangsu of former President Jiang Zemin.
- China welcomed the resolution of the U.S. debt ceiling deadlock, saying it will contribute to global economic stability, but Xinhua said that despite the deal, “such move of passing a transient bill was no more than prolonging the fuse of the U.S. debt bomb one inch longer”.
- Taxi drivers will not be allowed to ask passengers where they want to go before they get into the cab, according to new regulations to be introduced next year. This is intended to help prevent cabbies from picking and choosing their fares. The nationwide rules, jointly issued by the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ), and the National Standards Committee, will be introduced next April.

ADVERTISEMENTS

FOUNDING MEMBERS

STRUCTURAL PARTNERS

Your banner at the FCCC website or newsletter
Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members FCCC
President: Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Vice-President: Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
Secretary and Treasurer: Wim Eraly, Senior General Manager, NV KBC Bank SA
Executive Director: Ms. Gwenn Sonck
Members of the Board of Directors and Founding Members:
Mr. Bert De Graeve, C.E.O., NV BEKAERT SA
Mr. Jozef De Mey, Chairman of the Board, NV AGEAS SA
Mrs. Elisabeth Schraepen, Public Affairs Manager, Belgium and Luxembourg, NV AB INBEV SA
Mr. Carl Peeters, CFO, NV BARCO SA
Mr. Kris Verheye, Vice President Corporate Division, NV BELGACOM SA
Mr. Johan Verstraete, Vice-President Marketing, Sales & Services Weaving Solutions, NV PICANOL SA
Mr. Luc Maton, General Manager Asia Region, NV AHLERS SA
Mr. Philip Hermans, Director General, NV DEME SA
Mr. Egbert Lox, Vice-President Government Relations, NV UMICORE SA
Mr. Wim Eraly, Senior General Manager, KBC Bank SA

Membership rates for 2013:

- Large enterprises: €975
- SMEs: €385

Contact:
Flanders-China Chamber of Commerce
Lammerstraat 18, B-9000 Gent
Tel.: +32 9 266 14 60/61 – Fax: +32 9 266 14 41
E-mail: info@flanders-china.be
Website: www.flanders-china.be

Share your story:
To send your input for publication in a future newsletter mail to: info@flanders-china.be

This newsletter is realized with the support of Flanders Investment & Trade.

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com. Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.