法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 20 FEBRUARY 2012

FCCC ACTIVITIES

China Information Session: Assignments from China to Belgium and vice versa: Update on immigration and social security aspects, Tuesday 21 February 2012, 15h30, Antwerp

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 (FCCC), in cooperation with Deloitte and the Port of Antwerp, is therefore organizing an information session on aspects of immigration and social legislation which will focus on the posting of Chinese nationals to Belgium and vice versa. More precisely, the following topics will be discussed:

A. Update on important International mobility issues for Chinese and European nationals:

1. Blue card – the European work permit
2. New rules on reuniting families.
3. The Schengen Area and free movement within the EU
4. EU comparative immigration study
5. Business trips and rules governing work permits

B. Advantages of concluding a social security treaty between Belgium and China:

1. To secure eligibility for social security benefits for Chinese nationals in Belgium.
2. The new Chinese social security system: an overview of the most important new rules.
3. Conclusion of a treaty between Belgium and China: the scope of its content and the way forward.

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

The speakers will be Erwin Vandervelde and Matthias Lommers, who are a Partner and Senior Manager at Deloitte respectively.

The information session will take place at 3.30 p.m. on Tuesday 21 February at the Port of Antwerp, Entrepotkaai 1, 2000 Antwerp and will be followed by a networking cocktail in the MAS Port Pavilion. This multimedia information center at the foot of the Museum aan de Stroom (MAS) is an iconic location for the port community.

To participate, please register online. Participation fee for members: €65; non members: €95.

Annual Flanders-China Job Fair, 26 April 2012, Leuven

The Flanders-China Chamber of Commerce (FCCC) and Group T-International University College Leuven are organizing the Annual Flanders-China Job Fair at Vesalius Campus (Andreas Vesaliusstraat 13, 3000 Leuven) on Thursday, April 26, 2012 from 13:00 to 18:00.

This job fair is a unique opportunity to present your company to Group T's Chinese and other international students, to its alumni, and to young Chinese professionals.

During the job fair you will be able to meet students from the following programs:

- Bachelors of Science in Engineering: Electromechanical Engineering, Electronics Engineering, Chemical Engineering
- Masters of Science in Engineering: Electromechanical Engineering, Electronics Engineering, Chemical Engineering, Biochemical Engineering
- Postgraduates: International Postgraduate Program in Enterprising, International Postgraduate Program in Logistics Management

The Flanders-China Job Fair also gives you the opportunity to offer these students and alumni internships, company projects, and longer-term learning tracks in your company.

Program

13:00	Registration Setting up of stalls
14:00	Official opening of the fair by: H.E. Liao Liqiang, Ambassador of the People's Republic of China to Belgium Prof. Dr. Johan De Graeve, President and Chief Executive of Group T Ms. Gwenn Sonck, Executive Director of FCCC.
14:15	Job fair, one-on-one meetings with students and alumni
17:00	Networking drink
18:00	End

Companies are welcome to publish their profile, job openings, and projects online and will also receive online access to the students' CVs.

The registration fee is €300 for members, €475 for everyone else. Read more and register online (till April 19, 2012) at www.flanders-china.be.

During the month of April, the Flanders-China Chamber of Commerce organizes similar job fairs in collaboration with Ghent University, the Université Libre de Bruxelles, and the Vrije Universiteit Brussel.

FCCC Industrial fact-finding trip to Shandong province (21-24 May 2012)

Many Flemish companies in China are continuing to focus on a small number of large, well-known cities, like Beijing, Guangzhou, Shanghai and Shenzhen. However, numerous member companies are encountering mature, increasingly saturated markets with limited growth opportunities in these locations and finding themselves facing mounting competition, both from foreign rivals and from increasingly sophisticated Chinese companies.

The FCCC’s ’s strategy is to give our members a better insight into business opportunities in second- and third-tier cities.

The FCCC has a strong network in China thanks to partnerships and investments by our founding members in several cities.

We would like to organize an industrial fact-finding trip to Shandong province with a limited group of companies, to become better acquainted with the area and meet potential partners and senior officials. The mission will start from Beijing and take in the cities of Jinan, Qingdao and Weihai.

Shandong is China’s third most populous province and also has the third-highest GDP. It offers attractive opportunities for business in the following sectors: food and agriculture, infrastructure, energy, minerals and chemicals, renewables and the environment, advanced engineering, professional services, retail and consumer goods. In short, all major industries are represented in Shandong, and its broad range of industrial and commercial activity offers great potential prospects for Flemish businesses in many sectors.

During the visit, participants will gain a clearer picture of the trade- and investment-related advantages of Shandong’s various cities and development zones. Furthermore they will be given access to senior Chinese officials and meet European entrepreneurs who have already invested in these areas and potential Chinese business associates.

The dates for the visit to Shandong province are **21 to 24 May 2012**.

Please send us any comments you may have and **let us know by 15 March 2012** whether or not your company would be interested in taking part in this focused industrial fact-finding mission, by sending an e-mail to gwenn.sonck@flanders-china.be. We will send you the programme and a subscription form as soon as we have evaluated the interest in such a visit. Please do not hesitate to contact us if you require more information.

OTHER ACTIVITIES

Seminar on Canton Trade Fair, 29 February 2012, 10h30, Brussels

To enhance trade relations between China and Belgium, the China Foreign Trade Center will send a high-level delegation led by Mr Liu Jianjun, Vice President of the Center to visit Belgium by the end of February. They will host a seminar in Brussels on February 29 to introduce and advertise the China Import and Export Trade Fair, also known as the Canton Fair. The seminar will take place at the Rocco Forte Hotel Amigo, Amigostraat 1, 1000 Brussels.

Programme:

10:30 - 11:00	Registration & welcome coffee
11:00 - 11:05	Introduction by the host
11:05 - 11:15	Speech by Mr. Wang Heliang, Economic and Commercial Counsellor Chinese Embassy in Belgium
11:15 - 11:25	Speech by Mr. Liu Jianjun, Vice President of China Foreign Trade Center and Spokesperson of China Import and Export Fair
11:25 - 11:45	Canton Fair Promotion Video
11:45 - 12:05	Speech by representative of VIP guest and buyer (To be confirmed)
12:05 - 12:15	Q&A
12:15 - 13:30	Buffet Lunch

This event is organized with the support of the Flanders-China Chamber of Commerce (FCCC).

PAST EVENTS

FCCC Annual meeting with the Belgian Ambassador to China and the Belgian Consuls-General in Shanghai, Guangzhou and Hong Kong, 2 February 2012, Brussels

The Flanders-China Chamber of Commerce (FCCC) organized its annual meeting with the Belgian Ambassador to China and the Consuls-General of Belgium in Shanghai, Guangzhou and Hong Kong.

Mr Stefaan Vanhooren, Vice Chairman of the Flanders-China Chamber of Commerce, welcomed the participants. His Excellency Mr Patrick Nijs, Ambassador of Belgium in the People's Republic of China, delivered a speech on the prospects of the Chinese economy. Mr Bruno Georges, Consul General of Belgium in Shanghai gave us his insight of the current economic situation in Shanghai. Mr Johan D'Halleweyn, Consul General of Belgium in Guangzhou, pointed out the opportunities in Guangzhou. This speech was followed by an outlook on today's economy in Hong Kong by Mr Evert Maréchal, Consul General of Belgium in Hong Kong.

During a networking reception, the participants were able to meet the Ambassador and the Consuls-General and to inform them about their company's activities in China.

This event was organized with the support of Flanders Investment and Trade. Pictures will soon be online.

Meeting with Chinese delegation: “Leadership in Low-carbon Growth”, 16 February 2012, Antwerp

The Flanders-China Chamber of Commerce and the Flanders Cleantech Association organized a meeting with a delegation led by a group of Chinese mayors of second and third-tier cities in China. The Chinese mayors were from the following cities: Lanzhou (Gansu province), Guiyang (Guizhou province), Zhuhai (Guangdong province), Inner Mongolia Autonomous Region.

The visit was organized in the framework of an exchange programme of The Climate Group, which is an organization based in the UK with offices worldwide, including Beijing and focusing on climate change and low carbon area. The aim of their visit was to facilitate the dialogue, trade and investment between Chinese cities and Europe on cleantech and environmental technologies.

The participants were welcomed Mrs Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce. This welcome was followed by an introduction by Mr Dirk Fransaer, Managing Director of VITO. Mrs An Vandeputte, Project Manager of OVAM/Public Waste Agency of Flanders gave an interesting presentation on the policy instruments and results in waste management in Flanders. Mr Daniel Dirickx, Director of the Hooge Maey explained the meaning of sustainable landfilling. Mr Bert Lemmens, Project Manager Renewable Chemicals of VITO showed how to obtain renewable chemicals from algae. To end the presentations, Mr Karl Vrancken, Research Coordinator of VITO gave his view on Enhanced Landfill Mining as a new concept for sustainable materials management.

After the presentations the delegation visited the site of the Hooge Maey. After the site visit the delegation and the Belgian companies had a lunch with a presentation by Mr Luc Bas, European Programme Director of The Climate Group. During the lunch, the Belgian companies were able to present themselves and their activities to the delegation.

This meeting was organized with the support of Flanders Investment & Trade. Pictures of this meeting will be online soon.

FCCC Chinese New Year reception, 16 February 2012, KBC Bank, Brussels

The Flanders-China Chamber of Commerce organized a successful New Year’s reception on 16 February 2012 at KBC Bank in Brussels, attended by 300 participants.

Speeches were made by:

Mr Bert de Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC)

His Excellency Mr Liao Liqiang, Ambassador of the People’s Republic of China in Belgium

Mr Didier Reynders, Vice Prime Minister and Minister of Foreign Affairs, Foreign Trade and European Affairs

Pictures of the reception will be online soon.

PUBLICATIONS

“Voices on China” (more information on the FCCC website)

For more information on the book “Voices on China”, please go to the FCCC website at www.flanders-china.be

FINANCE

CIC rejects buying European governments' bonds

Lou Jiwei, Chairman of China Investment Corp (CIC), China’s USD410 billion sovereign wealth fund, said investing in European government debt was “difficult” for long-term investors. He said any fresh injection of funds into Europe would be in industrial and other real assets, not government bonds. German Chancellor Angela Merkel had asked CIC and other long-term investors to buy European government debt when she visited Beijing earlier this month. “For European bonds like the government bonds of Italy and Spain, only central banks with certain responsibilities can invest,” Lou Jiwei told the annual meeting of China Economists 50 Forum. “We may be poor, but we aren’t stupid,” Xia Bin told reporters at the forum. “We must follow commercial principles in making such investments. That means we want returns.” Premier Wen Jiabao didn’t make any explicit commitments during Merkel's visit, although he said China was willing to help Europe cope with its debt crisis. CIC has received a capital injection after it invested almost all of its cash in 2010, said CIC Chairman Lou Jiwei, without disclosing the amount of the infusion.

DBS to increase China workforce by 25%

DBS Group, Southeast Asia's biggest bank, plans to boost its workforce in China by about 25% this year after profit doubled last year and as it seeks to reduce its reliance on Singapore. The bank aims to add about 400 employees in China, mostly in corporate banking, taking the total to 2,000, Melvin Teo, Chief Executive of DBS China, said in Shanghai. The company increased its staff by 42% last year. Revenue in China rose 65% last year to about CNY1.9 billion, while net income doubled to exceed CNY500 million. China now contributes about 29% of the group's revenue and the percentage may increase to 33% “in the next few years”, Chief Executive Piyush Gupta said. Gupta has focused on building DBS's wealth-management business to reach rich Asians, particularly in China, India and Indonesia. He has hired new management, introduced products including yuan-denominated investments and pledged to spend HKD1.54 billion to expand over the next five years. Gupta also set a target of 12% return on equity next year, up from 10.8% in the third quarter of last year.

People's Bank of China reduces RRR for second time in three months

China cut the amount of cash that banks must set aside as reserves for the second time in three months to spur lending as Europe's debt crisis and a cooling property market threaten economic growth. Reserve requirements would fall by 50 basis points. The change in the ratio is expected to add about CNY410 billion to the banking system. The reserve requirement ratio (RRR) will be 20.5% for large banks and 17% for smaller ones. China raised reserve requirements six times and interest rates three times last year to tame inflation. “Growth remains the top concern for policymakers,” Zhu Haibin, Hong Kong-based Economist for JPMorgan Chase, said before the release. “Monetary policy will be biased toward easing this year.” The central bank said it would improve the use of differentiated reserve ratios, where individual lenders hold different percentages of deposits as reserves according to their capital adequacy levels and lending growth. “It's not a big surprise. Although they [Chinese leaders] stress policy stability, an RRR cut is necessary. Trade and monetary data in January pointed to some downward pressure on the economy,” Huachuang Securities Economist Hua Zhongwei said.

- The National Social Security Fund (NSSF) has sold about HKD153 million worth of shares in Industrial and Commercial Bank of China (ICBC) and Bank of China (BOC). The sale cut the Fund's stake in BOC to 9.99% from 10.01% and that in ICBC to 14.99% from 15.01%. The NSSF sold BOC shares three times last year and ICBC stock four times.
- Combined assets at foreign banks in China were more than CNY1 trillion by the end of October, almost double from five years ago, according to the China Banking Regulatory Commission (CBRC). Their profit growth averaged 26% over the past decade.
- HSBC is aiming to increase its presence in China through a big expansion of its branch network or by raising its stake in Bank of Communications (BoCom). Stuart Gulliver, HSBC bank’s Chief Executive, told the Financial Times he wanted his bank either to substantially lift its holding in BoCom, one of China’s big five banks, from 20% if given regulatory approval or increase its China branch network from 110 to about 800. HSBC’s share of the profits of BoCom was USD642 million in the first half of last year, a third more than in the same period a year earlier.
- South Korea's state investment vehicles, including Korea Investment Corp (KIC), a USD40 billion sovereign wealth fund, Bank of Korea and the National Pension Service of Korea (NPS), have moved a step closer to making substantial investments in

Chinese securities. The investment vehicles already have Chinese regulatory approval for the investments. Bank of Korea and KIC obtained Qualified Foreign Institutional Investor (QFII) licenses in December, while NPS received approval last month.

- Alipay and Standard Chartered Bank launched a co-branded express payment service that will allow debit-card holders of Standard Chartered Bank (China) to buy goods securely over the internet from up to 460,000 online merchants worldwide that offer Alipay as a payment option. The deal is expected to help swell the number of Alipay's registered accounts, which was more than 650 million as of December 31 last year.
- China International Capital Corp (CICC) and the investment banking business of China CITIC Bank and the Bank of China (BOC) posted a plunge of more than 40% annually in their revenue in 2011. CICC saw the biggest drop in revenue of 50.23% to USD137 million last year. CICC ranked 20th among Asian investment banks last year, down from 11th in 2010. CICC's revenue tumbled because of a sharp decline of over 60% in the bank's share underwriting business to USD88.3 million.
- The People's Bank of China (PBOC) has set a growth target for the M2 money supply at 14% for 2012. As of the end of 2011, M2 had increased 13.6% year-on-year, compared with an official target of 16% set at the start of the year. New yuan lending for 2012 will probably exceed CNY8 trillion, said Zhang Xinfa, Analyst at China Galaxy Securities Co. Two to three reserve-requirement ratio cuts will be needed, said Liu Ligang at ANZ Banking Group.
- According to Standard Chartered, yuan deposits in Hong Kong will reach CNY700 billion to CNY800 billion by the end of this year. ANZ forecasts around CNY900 billion. Yuan deposits dropped to CNY588 billion in December from CNY627 billion in November. About half of the yuan deposits in Hong Kong will likely be invested in so-called dim sum bonds – yuan bonds issued in the city.
- Non-performing loans (NPLs) at Chinese banks rose CNY20.1 billion to CNY427.9 billion as of December 31, the China Banking Regulatory Commission (CBRC) said. Bad loans accounted for 0.96% of total lending, up from 0.95% in September and 0.17 percentage point lower than a year earlier. The NPL ratio had not increased quarter-on-quarter since the end of 2005, according to Bloomberg News data. Chinese banks' combined net income jumped 36.3% to CNY1.04 trillion.
- China cut its holdings of United States Treasury securities by USD3.19 billion in December to a 19-month-low of USD1.10 trillion. December was the third consecutive month that China, the largest foreign creditor of the U.S., had disposed of U.S. debt. Its holdings now stand at the lowest level since June 2010, according to data from the U.S. Treasury Department.

FOREIGN INVESTMENT

China to invest in North Korea's Rason economic zone

China will invest USD3 billion in a special economic zone in northeastern North Korea to build an airport, a power plant, a cross-border railway and piers in the Rason economic zone bordering China and Russia by 2020. In return, China had secured the right to use Rason port for 50 years. A 55-km cross-border railway track will connect Rason with the Chinese city of Tumen. The use of piers at Rason gives China's northeastern provinces direct access to the Sea of Japan. China had lacked such access for 150 years, since it signed a treaty ceding part of its coastline to Russia and leaving its northeastern part landlocked. The new arrangement reduces logistical costs for Chinese shipping. Total accumulated foreign investment in North Korea reached USD1.475 billion in 2010, up from USD1.437 billion the previous year, according to the United Nations Conference on Trade and Development (UNCTAD).

Plans to attract Taiwanese to develop Pingtan island

Beijing has vowed to transform Fujian's underdeveloped Pingtan island into a "Little Taiwan" by inviting Taiwanese to join its management team, as well as allowing the circulation of the Taiwanese currency and offering income tax reductions for those working there. Pingtan is the closest mainland territory to Taiwan – only 126 kilometers away – and has been given approval to attract Taiwanese and their investments. The island also wants to recruit 1,000 Taiwanese experts within five years, with salaries and benefit packages "higher than Taiwan's standard" and with income tax cut to the same level as in Taiwan. The Governor said Fujian was considering providing land on 372 square kilometer Pingtan to Taiwanese city or county authorities or institutions to develop, and Taiwanese would be given the right to manage such land and enjoy the revenue produced. Deputy Governor Chen Hua said Taiwanese television channels would be able to broadcast on the island once approved, and newspapers and books published in Taiwan might be allowed to circulate. But Hsieh Ming-hwei, Deputy Secretary of the Taipei-based Taiwan Competitiveness Forum, said Taiwan had strict laws prohibiting its people from working for the mainland government. Joint development of Pingtan was wishful thinking by the mainland authorities, he said.

EU investment dropped, but U.S. investment up in China

Foreign direct investment (FDI) in China fell for the third straight month in January as European investment continued to plunge. Foreign investment totaled USD9.99 billion, 0.3% less than the same month last year, the Ministry of Commerce (MOFCOM) said. That was an improvement on December's reduction of 12.7% and November's 9.7%. The European Union placed USD452 million in China last month, down 42.5% from a year earlier. Investment from the U.S., however, jumped 29% annually to USD342 billion, a reversal of the previous year's drop of 26%. Foreign investment in China's manufacturing sector lost 0.04% from a year earlier to USD4.7 billion in January, while that in the service industry fell 4.62% to USD4.5 billion. Part of the rise in U.S. investment is due to investment in Shanghai Disneyland. The first phase of the park will cost CNY24.5 billion and an additional CNY4.5 billion will be spent on building support facilities. China was ranked as the most attractive FDI destination among developing nations for almost two decades. Last year, the nation's FDI set a record high of USD116 billion. The U.S. remains a major source for FDI. By the end of last year the accumulative FDI absorbed from the U.S. reached USD67.6 billion. A report by the U.S. Chamber of Commerce in China said that 80% of the American enterprises interviewed said they plan to increase investment in China this year. The figure was 75% for 2011.

- A court in New Zealand has halted the first ever sale of dairy farms to Chinese investors. High Court Judge Forrest Miller ruled that the New Zealand government overstated the economic benefits Chinese investors would bring when it approved the sale of the 16 farms last month. Shanghai Pengxin says it wants to spend more than NZD200 million buying and improving the farms. The sale could still go ahead after a second government review.
- Shanghai hopes that another 50 multi-national companies set up their regional headquarters in the city this year. The total number of regional headquarters would exceed 400 by the end of the year. Forty-eight regional headquarters were added last year, bringing the total to 353, the most in any Chinese city. Shanghai is planning to increase outward foreign direct investment by 10% this year after approving USD2.66 billion of such investment last year, an increase of 9.8% from a year earlier.
- Voith, a maker of paper, hydro-electric equipment and various other technology, plans to invest €400 million in China in the coming years, and expects the number of employees in China to increase by nearly 70% and reach 5,000 by 2016, according to Hubert Lienhard, Voith President and CEO. The investment will be partly financed by a loan of CNY2.25 billion coordinated by Citibank (China) and Voith Finance. The transaction marks the Voith Group's first financing deal in the Chinese market. Voith had about €1 billion in sales in China in its latest fiscal year, running from September 2010 to September 2011, accounting for about 18% of its global sales.

FOREIGN TRADE

China facing challenging trade outlook

"China's trade outlook in the first quarter, on the whole, is quite challenging because the downbeat global economy is adding more pressure to China's external trade environment," Shen Danyang, MOFCOM Spokesman, told a news conference in Beijing. Data show that China's imports sank 15.3% year-on-year in January, falling at the fastest annual rate since August 2009. Exports fell 0.5%, the worst performance since November 2009. However, the Ministry said that the headline numbers for January did not represent the real trend, due to distortions caused by the Lunar New Year, which fell in January this year compared with February last year. Even after removing the distortions, exports and imports both displayed a continued slowdown compared with previous months. China's exports to the EU, its biggest overseas market, declined in January. But Chen Fengying, Director of the Institute of World Economic Studies at the China Institutes of Contemporary International Relations, said China's export growth will probably remain above 10% in the coming months. "Policies for expanding imports will be maintained" as the nation pursues balanced trade, Shen said.

Ceramic tableware target of EU anti-dumping case

The China Ceramics Industrial Association said the EU filed an anti-dumping case against Chinese ceramic tableware and kitchenware. More than 2,000 Chinese ceramics makers might be affected by the latest investigation. China exported more than USD700 million worth of ceramic tableware and kitchenware to the EU last year and has a nearly 50% share of the European market. Foshan, a center for the production of ceramic tiles, saw its exports of the products drop by 24.4% in the first 10 months of 2011 after a punitive tax was imposed following another anti-dumping investigation. Last year, South Korea, Argentina, Brazil and Peru began anti-dumping investigations into Chinese ceramic products. Guo Cheng of the China Ceramics Industrial Association said it will help manufacturers defend their case. The European Commission has nine months to decide whether to impose provisional anti-dumping duties for half a year, and EU governments have 15 months to decide whether to apply "definitive" levies for five years.

- Beijing Mayor Guo Jinlong made a six-day visit to Taiwan, the first Beijing Mayor to do so. Guo led a 500-strong delegation made up of more than 30 municipal-level government and party officials from Beijing as well as business leaders and celebrities. Guo met Wang Chih-kang, Chairman of Taiwan's External Trade Development Council, to promote the first China (Beijing) International Fair for Trade in Services, to be held in Beijing at the end of May. He also met his Taiwanese counterpart Hau Lung-bin.
- China has signed an agreement to import corn from Argentina. China was largely self-sufficient in corn until 2010, when corn imports surged 17-fold year-on-year to 1.57 million tons, according to data from the General Administration of Customs. In 2011, imports rose 11% to 1.75 million tons. China's 2011 corn harvest hit a record 192 million tons, up 8.2% year-on-year.

IPR PROTECTION

Electrolux wins trademark lawsuit

Swedish appliance maker Electrolux won a trademark-infringement lawsuit against three Chinese companies and was compensated CNY121,000, Shanghai's Huangpu District People's Court said. Electrolux said the three domestic companies illegally produced and sold washing machines and refrigerators with as trademark "Elekes", which was quite similar to Electrolux's registered trademarks in China. Some products were even printed with Swedish flags and logos such as "High Tech from Sweden," which seemed a deliberate effort to mislead shoppers, Electrolux said. The plaintiff also ordered one of the three defendants, Qingdao Elekes Electronic Appliance Co, to change its Chinese company name, which contained exactly the same Chinese characters as Electrolux's Chinese brand name. The court said the pronunciation of "Elekes" was similar to that of Electrolux, both of which had no actual meaning and could be mistaken by buyers. Electrolux established Electrolux (China), a fully-owned subsidiary, in China in 1995.

MACRO-ECONOMY

NBS to collect data directly from enterprises

In the hope of collecting more accurate economic data, the National Bureau of Statistics (NBS) plans to begin obtaining information directly from industrial, service and real estate companies. About 700,000 companies, which together contribute about 80% of the nation's GDP, are required to upload production, income and spending statements and other information directly to the National Data Center or provincial data centers. The database will make data collection more efficient and is also meant to help prevent local authorities from inflating statistical information. China's 31 provinces and regions reported total gross domestic product (GDP) of CNY51.8 trillion, CNY4.6 trillion more than the national GDP last year. In 2010, the difference between the two GDPs was CNY3.2 trillion and in 2009 the gap was CNY2.68 trillion. Wang

Xiaru, Analyst at Changjiang Securities, said the provincial GDP figures may not be accurate. By value, Guangdong province's GDP was the highest at a record CNY5.3 trillion last year. Jiangsu province was second with CNY4.9 trillion and Shandong third at CNY4.5 trillion. Chongqing and Tianjin municipalities grew the fastest by 16.4% each last year.

- China's annual consumer inflation would ease to below 4% and would probably be about 3% in February, Zhou Wangjun, Deputy Director of the Price Department at the National Development and Reform Commission (NDRC), said. The decline would mainly result from a higher base effect.
- China will introduce private capital into industries that have long been monopolized by state firms, such as railways, urban utilities, finance, energy, telecommunications, education and medicare, the Chinese government said in a statement. Those sectors have long been dominated by state firms, despite years of calls from private businesses for the government to scrap such monopolies. The government also said it would expand an existing, small-scale, trial to replace business tax with a value-added tax and allow private capital to be used in micro-lending.
- The Chinese government's tax receipts from individuals surged to CNY605.4 billion last year, up 25.2% year-on-year, the Ministry of Finance said. The growth rate was nearly three times that of China's economic expansion of 9.2% in 2011. China's total tax revenue rose an annual 22.6% to CNY8.97 trillion in 2011.
- "China will probably achieve a soft landing in 2012 … with GDP growth of 8% to 8.5%, while the Western economies are struggling for recovery," said Chen Fengying, Director of the Institute of World Economic Studies at the China Institutes of Contemporary International Relations. "Compared with the average 5.4% rate in 2011, the consumer price index in 2012 will almost surely be falling," she said. Jin Baisong at the Chinese Academy of International Trade and Economic Cooperation said a hard landing is "almost impossible".
- Hong Kong has been ranked the most globalized of 60 economies for the second consecutive year in a survey by accounting firm Ernst & Young. Hong Kong scored the highest on average on five measures of globalization – openness to trade, capital flow, exchange of technology and ideas, labor movement and cultural integration. It was followed by Ireland and Singapore. Taiwan ranked 12th while China was 39th in the survey.

MERGERS & ACQUISITIONS

China Resources, Tsingtao eye Kingway beer assets

China Resources Enterprise and Tsingtao Brewery were among potential suitors eyeing bids for the brewery operations of Kingway Brewery. "Many mainland brewers are interested in the assets, including CR Snow, Tsingtao, Beijing Yanjing Brewery and Guangzhou Zhujiang Brewery," a source close to the company said, adding that nothing had been finalized yet. Kingway said last month that it planned to invite beer producers to submit proposals and indicative offers for the possible acquisition of some of its brewery business and assets, as the company reviewed its strategy in uncertain economic conditions. CR Snow, the largest Chinese brewer, is a joint venture between China Resources and SABMiller. Kingway was previously jointly controlled by Asia Pacific Breweries, a unit of Singapore food and property conglomerate Fraser and Neave, and Heineken. The world's largest brewer Anheuser-Busch InBev had also expressed interest in buying the assets, Dow Jones reported.

- China has launched the CNY 50 billion Sailing Capital International fund in Shanghai to aid overseas acquisitions by Chinese companies as part of efforts to promote the international use of the yuan and build the city into a global financial center. The government-backed fund has already raised CNY12 billion.

PETROCHEMICALS

Sinopec unveils Xinjiang expansion plans

Oil and gas producer Sinopec plans to spend CNY53 billion on expanding output, refining capacity and fuel distribution infrastructure in Xinjiang. The plan includes the doubling of refining capacity to 10 million tons to complement its target of producing 9 million to 11 million tons of crude oil in Xinjiang in 2015. It also wants to pump between 1.8 billion and 3 billion cubic meters (BCM) of natural gas that year. Sinopec also plans to increase the number of fuel and gas service stations to more than 800 by 2015, from 307 now. Sinopec's expansion plan includes the development of facilities with a total annual capacity to turn coal into 8 BCM of natural gas by 2015, rising to 30 BCM in the longer term. In December, Sinopec signed a preliminary agreement with nine companies, including four major state-owned power generators and three coal producers, to co-invest in two giant gas pipelines. The targeted annual volume of gas is 40 BCM in 2015 and 110 BCM in the long term. The firms aim to pour CNY130 billion into a 7,373 km pipeline to send gas made from coal from Xinjiang to Guangdong and Zhejiang provinces, and CNY80 billion into a 4,600 km pipeline from Xinjiang to Shandong and Jiangsu. PetroChina Vice Chairman Zhou Jiping has forecast that China's gas consumption would triple to 300 BCM by 2020. In 2010, about 109 BCM was consumed and 96.8 BCM was produced, according to BP's Statistical Review of World Energy.

BP gets approval for second deepwater gas project

BP has obtained approval from the Ministry of Commerce (MOFCOM) to start exploration in the South China Sea in what will be the company’s second deepwater project in China. BP will have a roughly 40% stake in the block during the exploration period and a 20% share when the project has moved into production. CNOOC owns the remainder. In September 2010, BP bought a 41% stake in another block in the South China Sea. China’s growth in energy demand is expected to drop to 1.9% a year between 2021 and 2030 from the average annual increase of 9% in the decade ended 2010, according to Christof Ruehl, Group Chief Economist at BP. He added that China has reached its peak period for rapid growth in the heavy industry sector, and the share of industry in GDP will decline and gradually be replaced by the service sector as the economy matures amid structural economic transformation. BP’s revised Energy Outlook 2030 predicts that non-fossil fuels will account for a growing proportion of China’s energy growth. It will rise to 44% during the period 2020 to 2030. According to BP’s estimates, China’s oil-import dependency will grow rapidly to 80% by 2030, from more than 50% at present, while its reliance on gas imports will reach 42%. China may also turn from being a coal exporter to an importer by 2030, even though the country will see a notable slowdown in the demand for coal. The fuel’s contribution to primary energy growth will fall to 13% in the period between 2020 and 2030, from 48% between 2010 and 2020 as its use in power generation declines, the China Daily reports.

- The Ministry of Land and Resources is planning its second auction of exploration rights for shale gas at the end of February or in early March. The auction was originally set for the fourth quarter of 2011. China, yet to produce shale gas commercially, may hold about 31 trillion cubic meters of reserves.

REAL ESTATE

Beijing's office space becomes much more expensive

The average occupancy costs per workstation per annum in Beijing’s CBD area rose 38% to USD8,830 in 2011, propelling the city to jump from 73rd to 35th place in the annual Global Occupancy Costs — Office report by DTZ. The global ranking of Shanghai, particularly Jing’an district, rose to 37th in 2011 from 49th a year earlier. In the Asia-Pacific, Beijing and Shanghai were ranked the 9th and 10th most expensive locations. Globally, Hong Kong remains the world’s most costly office location with occupancy costs per annum per workstation at USD25,160, ahead of London’s West End and Geneva. Beijing will rise the most over the next five years, up 13 places into the top 25 most costly markets globally by 2016, the report said.

- Wuhu, a city of 1.5 million people in Anhui province, said it had reversed its recently announced policy to relax curbs on the real estate market this year. Wuhu had planned to cut taxes on home purchases and offer subsidies to buyers of smaller homes. The city government now said the measures were postponed. The central government was worried that other cities might follow Wuhu in relaxing their real estate policies. Following the news, Chinese property stocks saw their biggest drop in a week.
- Housing loans in Shanghai rebounded in January from December as the property

market improved slightly. New mortgages in the city hit CNY2.08 billion in January, an increase of CNY3.11 billion from December but a drop of CNY4.14 billion from January last year. The sales of new homes, excluding government-funded affordable housing, have risen slowly for three consecutive months from 457,300 sq m in October to 579,100 sq m in December.

- Members of the Hainan Provincial Committee of the China's People's Political Consultative Conference (CPPCC) urged authorities to levy taxes on vacant homes in popular travel destinations to discourage speculation and cool the island’s overheated property market. Many non-residents have flooded the property market to buy winter vacation homes and investment properties. About 80% of the new residential buildings in cities such as Haikou and Sanya are vacant, according to research.
- House rents in Hong Kong of HKD100,000 to HKD180,000 a month slid 18% from January to October last year as six-figure housing allowances in the financial industry came to an end, property consultancy Colliers International said. Overall, the luxury rental market, which includes flats leased for more than HKD40,000 per month, fell 7% in the period. The market for properties with rents in excess of HKD200,000 had been particularly hard hit because some banks and financial institutions decided not to fill director-level vacancies, which previously came with more than HKD250,000 a month in housing allowances.
- Wharf Holdings has teamed up with China Merchants Property Development to win two sites in Beijing for a total of CNY2.37 billion. The joint venture plans to build a residential project on the sites with a total maximum developable residential area of about 18.2 hectares. “Hong Kong developers recently have been more aggressive in land acquisition in mainland cities as mainland developers suffer from liquidity pressure amid the slowing property market and tightened credit environment,” said Alvin Ip at property consultant DTZ.
- New home inventory rose more than 50% in Shanghai and more than 40% across the country over the past year as austerity measures imposed by the central government remain effective in dampening buyer interest. As of January 31, new home stock totaled around 9.5 million square meters in Shanghai, an increase of 53.2% from the same time a year earlier. Nationwide, new houses available for sale in 10 major Chinese cities stood at 59.01 million sq m as of last month, an increase of 17.01 million sq m, or 40.5%, from 12 months earlier.
- An increasing number of foreign real estate companies left Beijing last year. The Beijing Administration for Industry and Commerce said 217 foreign property enterprises exited the city in 2011 and only 129 foreign real estate companies were established in 2011, down 55.82% from 2010. Since they only had a small share of the market, their departure is not likely to have great consequences for the real estate market.
- From March 1, Shanghai will raise the price threshold for what it calls “normal” housing to CNY3.3 million from CNY2.45 million. This effectively eases the tax burden because the deed tax for normal housing is 1.5%, but 3% for luxury units. First-time buyers have to pay 1% deed tax for units below 90 square meters. Huang Hetao, Analyst at Century 21 in Shanghai, said more than 60% of new flats would now fall under the category of normal, against 20% previously.
- House prices continued to fall in the majority of China’s major cities last month. Excluding government-funded affordable housing, prices fell month-on-month in 48 of the 70 cities monitored by the National Bureau of Statistics (NBS) in January, while the others saw prices unchanged. No city reported price rises. In January 2011, 60 of the 70 cities saw rises in new home prices. Year-on-year declines were recorded in more cities with 15 seeing a fall in new home prices in January from a year ago.

RETAIL

China to become largest diamond market

China may overtake the U.S. to become the world's largest diamond market by the end of 2015 as rising incomes spur a taste for luxury goods, Antwerp World Diamond Center Chief Executive Ari Epstein said. China is also set to displace India this year as the biggest gold user, the World Gold Council said. Chinese gold jewelery purchases are expected to rise 10% to 20% this year after surging 13% to 510.9 tons last year. Investment in gold bars and coins is forecast to jump 25%, after swelling by 38% to 258.9 tons last year. "We see that [diamond] consumption in China is increasing every year by about 25%," Epstein said in Beijing. The expanding middle class combined with an affinity for jade, gold and diamonds will fuel demand. China is now ranked second-largest consumer of polished diamonds after the U.S., with USD5 billion worth of sales a year, Epstein added. The country didn't appear on Belgium's list of top seven polished diamond export destinations in 2008, according to the center's website. China imported a total of 9.28 million carats of both polished and uncut diamonds, with a total value of USD5.09 billion, from Antwerp in 2011. China is expected to become the biggest destination for diamond exports by the end of 2016. In 2011, the U.S. was the biggest consumer of polished diamonds, accounting for 36% of total world demand, followed by China with a market share of 12% and India with 11%. Epstein said that the rise in China's domestic demand has also triggered a rush to Antwerp by Chinese companies to trade in the gemstones. The Antwerp Center plans to set up a "polished desk", either in Shanghai, or one of China's other heavily industrialized cities, to sell diamonds to jewelry companies. Epstein said that China will become a more important manufacturing center for diamond cutting and polishing, regardless of the rising labor costs, the China Daily reports.

- Premium casual wear retailer Abercrombie & Fitch plans to open its first flagship store in China next year after establishing a network of smaller shops inside upscale malls to build up brand awareness. The Ohio-based company also confirmed the much-anticipated opening this summer of its multiple-floor, showcase store in Hong Kong.
- Home appliance retailers in Shanghai are pulling Supor cookware off their shelves after reports that the company's products contain excessive levels of manganese, which is harmful to health. The Harbin Industry and Commerce Administration first reported Supor's safety issue, but the company said its products were safe.

SCIENCE & TECHNOLOGY

China to attract up to 1,000 foreign experts

The government plans to attract 500 to 1,000 high-end non-Chinese foreign professionals from other countries in 10 years to spur innovation and promote scientific research. The One Thousand Foreign Experts Project, launched late last year, has attracted 214 candidates from countries including the United States, Japan and Germany, said Yi Fanping, Deputy Director of a work team under the State Administration of Foreign Experts Affairs that oversees the project. The first application phase of the project started in November after requests were submitted from 214 universities, scientific research institutions and corporate units nationwide that seek foreign talent. Each foreign professional will be awarded a subsidy of up to CNY1 million from the central government and scientific researchers can get a CNY3 million to CNY5 million research allowance. The professionals are also entitled to favorable visa, taxation and wage, residence, medical care and insurance policies. Employers should be universities, scientific institutions, Chinese-invested enterprises or joint ventures in which Chinese investors have a more than 50% stake. The targeted foreign professionals include professors at prestigious universities and scientific research institutions as well as senior technology and management professionals at world-renowned corporations or financial institutions. Candidates must be non-Chinese, under the age of 65 and currently not employed full time in China. The second round of applications will close on March 12. A website is under preparation that will provide details of positions offered by employers. More than 40,000 foreign experts come to work in Beijing every year, the China Daily reports.

Eight expatriate scientists win Chinese state prizes

Three expatriate scientists working in Shanghai were honored at a science and technology awards ceremony in Beijing. They were Andreas Dress, a German mathematician who helped set up the CAS-MPG Partner Institute for Computational Biology; John Buswell, a British researcher on physiology and biochemistry of edible and medicinal mushrooms; and Hugues de The, a French hematologist working on leukemia research. They were among the eight expatriate scientists who won the International Science and Technology Cooperation Award at the 2011 State Science and Technology Awards ceremony. Physicist Xie Jialin, who made outstanding achievements in the fields of accelerator physics, accelerator technology and free electron lasers, and architect Wu Liangyong, who committed himself to city planning, architectural design, landscape planning, as well as teaching and scientific research, won China's top science and technology award. China has been offering annual awards to elite scientists and researchers for 12 years.

- Duan Zhenhao, Professor at the Institute of Geology and Geophysics of the Chinese Academy of Science (CAS) stood trial in the Beijing No 1 Intermediate People's Court, accused of embezzling more than CNY1 million in research funds to buy property and luxury goods for his two mistresses.
- China's manned deep-sea vessel, Jiaolong, is this year to attempt to make the deepest dive on record. "Jiaolong will make a 7,000-meter test dive this year after several improvements are made to the submersible vessel," Jin Jiancai, Secretary General of the China Ocean Mineral Resources Research and Development Association, said. If successful, the dive would beat Japan's Shinkai 6500, which dove to 6,527 meters in August 1989.
- China will launch the Shenzhou-9 spacecraft in summer with three astronauts aboard to dock with the orbiting Tiangong-1 module. The manned mission was originally planned for the Shenzhou-10, but has now been moved foreward.
- The Chinese Embassy in the United States has sent an investigation team to an American university revealed as a diploma mill for foreign students. About 400 students, mostly from China, at Dickinson State University in North Dakota were given degrees they hadn't earned. During the 2010-11 academic year, about 157,600 Chinese students were studying in the U.S., an increase of almost 24% from the previous year.

STOCK MARKETS

CSRC approves seven QFII licenses

The China Securities Regulatory Commission (CSRC) has licensed seven foreign institutions to become qualified foreign institutional investors (QFII). The seven follow the 14 issued in December as Beijing accelerated the approval procedure to pump more foreign capital into locally listed shares. Between January and November last year, the regulator had approved 15 QFII licenses. "The rapid pace of QFII license distribution reflects the regulator's efforts to boost investor confidence," said Howhow Zhang at fund consultancy Z-Ben Advisors. "The trend of fast QFII approvals is expected to continue." Beijing launched the QFII scheme in 2003, in the hope that western financial institutions would introduce a measure of professionalism in the market, where investors have long traded shares based on rumors rather than valuations. To date, 142 QFIIs have been allowed to buy A shares, with a combined USD22 billion investment quota. The newly approved institutions include Hong Kong's Hospital Authority Provident Fund Scheme, South Korea's National Pension Service and BNP Paribas Asset Management. According to data provider Lipper, QFIIs lost 26% in A-share investments last year, doing worse than the 21.7% drop in the key market index, the South China Morning Post reports.

Shanghai launches OTC market

Shanghai launched an over-the-counter equity market in a bid to allow companies to raise funds in private placement and to facilitate their public listing later. The Shanghai Equity Exchange will allow institutional investors and any individuals with two years of investment experience and more than CNY1 million in capital to trade shares of companies listed on the OTC exchange. Initially the market size and activities will be limited but the OTC market will be a channel for companies to raise funds through private placement and facilitate their public listing in the future, experts said. The main purpose of the OTC is to nurture high quality companies and help them list on China's three existing stock exchange boards — the growth enterprise market, the small and medium enterprise board, and the main board. Of the first batch of 19 listed companies, two are based in Beijing and the rest are high technology firms in Shanghai. Presently, only six firms are tradable as shares of the remaining 13 companies are locked for one year. Shanghai's Mayor Han Zheng said at the launch ceremony that the exchange was crucial to Shanghai's goal to become an international financial center. Xu Quan, Deputy Director of the Shanghai Financial Services Office, said that the entry requirements for the OTC are lower than the stock exchanges in terms of registered capital and length of establishment.

- China Everbright Bank is making its third attempt to go public in Hong Kong. Chairman Tang Shuangning said he understood that Chinese banks would have some difficulty maintaining fast loan growth this year in a tough market, where cash-starved companies would also be competing for funds. China Everbright Bank's first attempted to list A shares in Shanghai and H shares in Hong Kong in 2010. The lender was forced to go public first in Shanghai and put its H-share offering on hold due to the weak market. Last year, the bank tried again to list in Hong Kong, seeking to raise about USD6 billion.
- Hairun Media & Entertainment began promoting its USD1.55 billion initial public offering (IPO). The Beijing-based television series producer plans to list its shares on the Hong Kong market. Hairun will use about 65% of the proceeds to fund the production of television series. One of the largest privately-owned television series producers in China, Hairun has made more than 2,500 episodes for 80-odd series in the past 10 years. It is producing about 600 episodes a year.
- The Chinese government said it would encourage large publishing houses to list on the stock market during the current five-year plan to 2015 as it tries to turn culture into a “pillar industry” in the coming years. The groups and companies that will be listed include China Publishing Group, established in 2002, China Science Publishing Group, established in 2000, China Education Publishing Media Group, established in 2010, and Chineseall.com, established in 2000 and now a major distributor of digital publications. 49 publishing companies already listed on the Chinese stock market.
- The China Securities Regulatory Commission (CSRC) is vetting applications from E Fund Management and China Asset Management to launch China’s first exchange-traded fund (ETF) linked to the Hong Kong stock market. If the Hong Kong ETF is introduced successfully, more overseas ETF products might be made available to Chinese investors.
- Hong Kong Exchanges and Clearing (HKEx), the operator of the Hong Kong stock market, is among the bidders lining up to buy the London Metal Exchange (LME) as part of a plan to expand into commodities trading. HKEx has been the world's largest IPO market worldwide over the past three years in terms of funds raised, but its only commodities trading is in gold futures. Other bidders for the LME include the New York Stock Exchange, Euronext, CME and Intercontinental Exchange.
- Beijing Construction Engineering, which is wholly owned by the Beijing government, has announced it will list on an unspecified stock exchange by 2015. It could be the first of a growing number of Chinese construction firms seeking to resolve funding difficulties through an initial public offering (IPO), analysts believe. Beijing Construction aims to more than triple revenue to more than CNY60 billion by 2015 – of which 65% will come from engineering projects and 20% from property.

TRAVEL

COMAC sings up new customers and suppliers for C919

The Commercial Aircraft Corp of China (COMAC) secured a contract to sell 20 C919 jets to BOC Aviation, the wholly-owned leasing unit of Bank of China (BOC). The latest order boosts the aircraft maker’s total orders for the 150-seat Chinese-made aircraft to 235. BOC Aviation owns 180 planes that are leased to major airlines globally. COMAC also signed a contract with Germany-based Liebherr Group and Chinese Landing Gear Advanced Manufacturing Corp to jointly develop landing gear for the C919. All 33 major systems providers will be signed up in the first half of the year. The company also expects to reach an agreement with Bombardier within two months on cooperation on the jet’s development, said Han Kecen, the Chinese aircraft company’s Vice President. COMAC’s only overseas customer so far is the leasing unit of General Electric Co. The company is also forming an avionics venture with COMAC’s parent, Aviation Industry Corp of China. COMAC hopes to have as many as 300 orders and commitments for the plane by the end of this year, Chief Designer Wu Guanghui said. The C919 is due to make its first flight in 2014 and to enter service two years later. The jet will be 20% lighter and 10% cheaper than existing aircraft of similar size, as it will be built with composite materials and aluminum-lithium alloys.

Railway construction to resume this year

Spending on railway construction was 76% lower in January than a year earlier as funding shortages for the sector persisted. Only CNY8.73 billion was invested in expanding the network in January. That followed a 34.8% year-on-year drop in spending for the whole of last year, to CNY461 billion. Although the sector raised CNY270 billion through bank loans and bond sales in the fourth quarter of last year, this was not enough for work to start on a significant number of new rail projects. With 3,500 kilometers of new high-speed railways expected to be put into use this year, the length of China's high-speed railway network will exceed 10,000 kilometers. Insiders said the construction of high-speed railways, which was halted due to funding shortages, will resume this year. Yang Zhongmin, Director of the Planning Department of the Ministry of Railways (MOR), said that all four of the planned North-South rail arteries will be completed. One of the four arteries, the Beijing-Shanghai line, opened in June. The others will connect Beijing and Guangzhou in South China, Beijing and Harbin in Northeast China, and cities on the southeast coast with high-speed railways. Train travel from Beijing to Shenzhen will take eight hours instead of the current 24 hours, and trips from Beijing to Harbin will take only five hours instead of nine. MOR will also begin nine new railway projects this year, but none of them are high-speed railways.

- The Chongqing municipal government will spend CNY500 million to market a new tourism slogan: "Chongqing, a must-visit city". The slogan will be registered as a trademark, and the campaign will feature 100 marketing events and promote 10 travel itineraries. Tourism to the city is expected to rise by 30% this year and contribute 6% to the city's gross domestic product (GDP).
- Chinese civil aviation authorities are researching the idea of extending flights late into the night — so-called red-eye flights — at Shanghai airports to handle the ever-increasing traffic. If implemented, the plan should overcome difficulties such as lack of public transport at night. Few flights now take off between 11 pm and 7 am at the two airports. They handle more than 70 million passengers a year.

VIP VISITS

Van Rompuy and Barroso attend China-EU Summit

Chinese Premier Wen Jiaobao said at the 14th China-EU leaders' meeting that China was willing to help the EU with its debt crisis. European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso attended the summit, which had been postponed from last year. Van Rompuy said the Chinese and EU economies were "so interdependent that change in the growth rate in one of the two strategic partners has a direct and palpable impact on the other one". Chinese and EU leaders vowed in a joint statement to prioritize a swift and comprehensive resolution of China's quest to be recognized as a full market economy. Both sides decided to soon hold the first meeting of a China-EU group focused on high-tech trade. EU Trade Commissioner Karel De Gucht welcomed Beijing's decision to take a greater role in resolving the euro-zone debt crisis, saying it "will make a difference".

Xi Jinping meets Obama at the White House

Chinese Vice President Xi Jinping met U.S. President Barack Obama at the White House on February 14. Obama said that the United States welcomes China's rise, and that strong cooperation between the two powers is good for the rest of the world. Xi held talks with U.S. Vice President Joe Biden, who also accompanied him to Los Angeles. The Pentagon gave Xi Jinping a 19-gun salute and rolled out an honor guard welcome featuring 350 troops. Such an elaborate greeting is highly unusual for a visiting Vice President, and suggested the Obama administration attached great importance to Xi's trip. In his talks with U.S. Defense Secretary Leon Panetta, Xi said military ties were an important component of the Sino-U.S. relationship and that they should serve the interests of a cooperative partnership based on mutual respect. Xi is also a Vice Chairman of China's Central Military Commission (CMC). China has launched a trade promotion effort that includes a drive to buy American goods worth USD27 billion. Both nations have also agreed to negotiate guidelines for export-credit financing. The multibillion-dollar spending spree would include microchips, machinery and electronic materials, Deputy Commerce Minister Gao Hucheng said in Washington. China also agreed to open up its massive car insurance market to foreign competition, U.S. Vice President Joe Biden said.

Xi also visited the small town of Muscatine in Iowa, which he had visited 27 years ago when he was a low-level official in Hebei investigating pig farming techniques. The trade delegation signed agreements with U.S. grain companies to buy a record 12 million metric tons of soybeans. COFCO and Sinograin signed deals in Des Moines, Iowa, with companies such as Archer Daniels Midland, Bunge and Cargill. China and the United States also signed a five-year deal to guide discussions on the security and safety of food, and sustainable agriculture at a symposium in Iowa. Xi Jinping announced that China agreed to significantly improve market access for American films, in particular 3D, Imax and other enhanced-format movies. "This agreement with China will make it easier than ever before for U.S. studios and independent filmmakers to reach the fast-growing Chinese audience, supporting thousands of American jobs in and around the film industry," U.S. Vice President Biden said in Los Angeles. The Motion Picture Association said the deal would allow more than 50% more U.S. movies into China.

"There is a saying that Americans have lost, while China is taking advantage of bilateral trades and economic relationship. Such a view does not square with facts," Xi told a business forum, adding each U.S. household had USD1,000 more disposable income a year because of the lower cost of imported Chinese products. He also renewed his call for the U.S. to relax controls on hi-tech exports to China, saying the share of U.S. products in China's total hi-tech imports had dropped from 16.7% to 6.3%. Vice President Xi's U.S. visit was deemed a success, even by the skeptical U.S. press. "This is a little unusual for any foreign leader, particularly a Chinese foreign leader, to want to expose themselves as much to the American public as he has," U.S. Vice President Biden said. After the U.S. trip, Vice President Xi visited Ireland and will also go to Turkey before returning to Beijing on February 22.

ONE-LINE NEWS

- Prosecutors have formally charged Lai Changxing, the alleged head of a vast smuggling ring once dubbed China's most wanted man and deported by Canada last year after a decades-long legal battle. Authorities charged him with "masterminding a criminal ring engaged in smuggling and bribery".
- Li Bin was elected Governor of Anhui province. Li, 57, had previously served as Vice Governor of Jilin province and Minister in charge of the National Population and Family Planning Commission.
- The cost of living for expats is higher in Shanghai than in New York, according to the latest survey by the UK-based Economist Intelligence Unit (EIU) based on data from December last year. Shanghai rose six places to rank 42nd in the global list while New York climbed two places from the 49th spot in June to 47th. Beijing dropped three places to 59th. Hong Kong is 22nd. Zurich is now the most expensive city for expats, pushing Tokyo into second place. Geneva and Osaka jointly occupy the third place.
- Beijing has pledged to upgrade domestic drug standards to international levels in the next four years as part of a drive to improve drug safety. In addition, at least 90% of medical equipment should meet international standards by then, according to the government's drug safety plan (2011-15). The standards apply to 6,500 drugs, including 2,500 chemical drugs, 2,800 drugs derived from traditional Chinese medicine (TCM) and 200 biological products.

QUOTES OF THE WEEK

"We want to work with China to make sure that everybody is working by the same rules of the road when it comes to the world economic system, and that includes ensuring that there is a balanced trade flow between not only the United States and China, but around the world."

U.S. President Barack Obama, quoted in the Shanghai Daily, February 15, 2012.

"We are not always going to see eye-to-eye. We are not always going to see things exactly the same, but we have very important economic and political concerns that warrant that we work together. It is a sign of the strength and maturity of our relationship that we are able to talk candidly about our differences."

U.S. Vice President Joe Biden, quoted in the Shanghai Daily, February 14, 2012.

"China's willingness to support the EU in dealing with its debt problems is sincere and resolute. China has been willing, and will continue to be willing, to join hands with the EU for mutual benefit, despite the fast changing global economic situation. The debt crisis relies fundamentally on the efforts made by the EU itself. We especially expect the debt-stricken nations, according to their own situations, to strengthen fiscal consolidation, reduce their deficits and lower their debt risks."

Chinese Premier Wen Jiabao, quoted in the China Daily, February 15, 2012.

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