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

NEWSLETTER | 6 FEBRUARY 2012

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FCCC ACTIVITIES

Meeting with Chinese delegation: “Leadership in Low-carbon Growth”, 16 February 2012, 9 am, Antwerp

The Flanders-China Chamber of Commerce and the Flanders Cleantech Association are organizing a meeting with a delegation, led by a group of Chinese Mayors of second- and third-tier cities in China.

This visit is 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 is to facilitate the dialogue, trade and investment between Chinese cities and Europe on cleantech and environmental technologies.

This meeting “Leadership in Low-carbon Growth” will take place at 9 am on February 16 at the Hooge Maey, Haven 550 in Antwerp.

The delegation, which consists of a group of mayors of second- or third-tier cities, are from the following cities: Lanzhou (Gansu province), Guiyang (Guizhou province), Zhuhai (Guangdong province), Inner Mongolia Autonomous Region. The delegation members are interested in the following sectors: urban planning, energy efficiency, water treatment, waste management, transportation (subway construction and operation), sustainable rural development. A complete list of the delegation can be obtained at: info@flanders-china.be

Programme:

8h50 - 9h10	Registration
9h10 - 9h20	Introduction by **Mrs Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce
9h20 - 9h30	Presentation Flanders Cleantech Association by **Mr Dirk Fransaer**, Managing Director, VITO
9h30 - 10h00	Presentation “Waste management in Flanders: Policy instruments & Results” by **Mrs An Vandeputte**, Project Manager, OVAM/Public Waste Agency of Flanders
10h00 - 10h20	Presentation “Sustainable Landfilling” by **Mr Daniel Dirickx**, Director, Hooge Maey
10h20 - 10h40	Presentation “Renewable Chemicals from Algae” by **Mr Bert Lemmens**, Project Manager Renewable Chemicals, VITO
10h40 - 11h00	Presentation “Enhanced Landfill Mining as a new concept for sustainable materials management” by **Mr Karl Vrancken**, Research Coordinator, VITO
11h00 - 11h30	Coffee break
11h30 - 12h30	Site visit Hooge Maey
12h30 - 14h30	Lunch at Hooge Maey Presentation of the Climate Group by **Mr Luc Bas**, European Programme Director Presentation of the participating companies (slide presentation) and the members of the Chinese delegation

This meeting will give you the opportunity to introduce your company's activities to leaders from second and third-tier cities. Companies can join the whole morning programme and the lunch or join the lunch only.

Participation fee for FCCC members: 75€, non-members: 110€
In order to introduce your company to the Chinese delegation, we kindly ask you to fill in the subscription form and return it to info@flanders-china.be before 8 February 2012.

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

FCCC Chinese New Year reception, 16 February 2012, 18h30, KBC Bank, Brussels

Important notice: the New Year reception has been moved from 15 to 16 February.

The Flanders-China Chamber of Commerce (FCCC) is organizing its Chinese New Year Reception with speeches by:

Mr **Bert DE GRAEVE**, Chairman Flanders-China Chamber of Commerce
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

The reception will take place on 16 February 2012 at 18h30 at KBC Bank, Havenlaan 2, 1080 Brussels.

Participation for FCCC members: €20. Participation for non-members: €45.

Registration on the FCCC website at www.flanders-china.be

China, growth without borders?!, 16 February 2012, 20h00, KHBO, Brugge

The Province of West-Flanders is organizing a lecture "China, growth without borders?! By Jonathan Holslag, Research Director at the Brussels Institute of Contemporary China Studies, Free University of Brussels on Thursday, 16 February 2012 from 20h00 till 21h30 at KHBO, Xaverianenstraat 10, 8200 Brugge. The lecture will be in Dutch.

Programme:

20:00	Welcome by the Governor of the Province of West-Flanders (To be confirmed)
20:10	Lecture "China, growth without borders?!" by Jonathan Holslag, Research Director at the Brussels Institute of Contemporary China Studies, VUB
21:00	Questions & answer session
21:30	Drink

Participation is free of charge. Registration before 10 February 2012, by filling out the registration form. A confirmation message will be send after receipt of registration.

More information: Kristien Vandamme, Tel: (+32) 050 40 33 59
E-mail: kristien.vandamme@west-vlaanderen.be

This event is organized in cooperation with the following partners: Provinciale Ontwikkelingsmaatschappij West-Flanders, Flanders-China Chamber of Commerce (FCCC), Unizo, Chamber of Commerce West-Flanders, Province of West-Flanders.

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 by Tuesday 15 February 2012 at the latest. 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.

OTHER ACTIVITIES

7th EU-China Business Summit, 14 February 2012, Great Hall of the People, Beijing

The European Union Chamber of Commerce in China has announced that the 7th EU-China Business Summit 2011 will be held at the Great Hall of the People in Beijing on 14 February, 2012. The event is being jointly organized by the European Chamber and the China Council for the Promotion of International Trade (CCPIT), together with BUSINESSEUROPE, and with the support of the EU-China Business Association (EUCBA).

As the highlight of the event's calendar this year, the 7th EU-China Business Summit will:

- Bring together the highest level of European and Chinese political leaders including Chinese Premier Wen Jiabao, European Commission's President José Manuel Durão Barroso, European Council's President Herman Van Rompuy and global CEOs.
- Provide an excellent opportunity to join an open discussion with the European and Chinese leaders shaping the business environment in China on the possibilities that China offers to SMEs, the major opportunities brought by urbanization and the exciting investment opportunities linked to industrial upgrading, innovation and services.

For speaking opportunities please contact Mr. Fernando Cutanda at fcutanda@europeanchamber.com.cn or +86 (10) 6462 2066 ext. 31

The European Chamber is actively seeking two Global CEOs from representative European Companies to participate as the key business speakers at the EU-China Summit. The two global CEOs will deliver short speeches to all attendees of the Summit based around its main theme, "Cooperation on a New Level: Innovation, Industry and Investment". Speaking opportunities for European companies at the three workshops are to date not available as the Chamber is still receiving final confirmations from those speakers previously scheduled to have given speeches at the postponed Summit in Tianjin. For more information on the provisional speakers for the workshops please go to: http://www.europeanchamber.com.cn/businesssummit2011/ section workshops.

Provisional agenda:

10:00-11:00 – Registration

11:00-13:00 – Breakout sessions
The three workshops will run in parallel and will feature presentations of five to seven minutes each by up to six panelists, followed by a moderated Q&A session.
1) The Role of SMEs and Institutional Support

Small and Medium Enterprises (SMEs) play a central role in most countries as they have a clear economic and social impact. SMEs can drive entrepreneurship, innovation, competition and job creation. This makes them important players for economic growth and wealth creation. However, due to their size and characteristics they meet a lot of challenges and difficulties in areas related to access to the following: institutional support, financing, skilled labour, technology and international markets. During this workshop, the speakers will discuss the role of SMEs in the social and economic structure and how Chinese and European public and private institutions can best support their development and enable them to grow successfully.

2) Opportunities in Urbanization
China's urbanization level moved above 50% according to China's National Bureau of Statistics on Tuesday, 16 January 2012.. This process of urbanisation brings new challenges (environmental protection, energy efficiency, mobility, services) to the sustainability of Chinese

cities. The speakers will focus on the business opportunities that the 12th Five-Year Plan and the urbanization process will bring to China and how Europe and China can cooperate.

3)Investment: Industrial Upgrading and Services
The 12th Five-Year Plan places a special focus on the need for industrial upgrading, innovation and the creation of a modern services sector. Likewise, the EU 2020 Strategy strives to boost innovation and services as main drivers for European economic growth. All of these factors are key for both growth and development, and will also bring new investment opportunities. In this regard, joint investment and cooperation between companies from the European Union and China are crucial. The speakers will give a macro perspective on these issues and will enter into an engaging discussion on the investment environments in both China and Europe.

13:00-14:30 – Lunch

14:30-16:30 – Plenary Session Part I (Business Leaders)
- Chairman of CCPIT, Wan Jifei
    - President of the European Union Chamber of Commerce in China, Davide Cucino
    - 4 Global CEOs (2 European and 2 Chinese)

17:00-18:00 – Plenary Session Part II (Political Leaders)
Introduction by Chairman of CCPIT, Wan Jifei
- Keynote address by President of the European Commission, José Manuel Durão Barroso
- Keynote address by President of the European Council, Herman Van Rompuy
- Keynote address by Prime Minister of the P. R. China, Wen Jiabao

Provisional registration:
If you would like to express your interest in attending the Summit, please contact Emma Chen at bj_events@europeanchamber.com.cn or at +86 (10) 6462 2066 ext. 84. European Chamber members will receive priority treatment for ticket booking.

Further notices: The European Chamber will regularly share any important developments.

The Flax Road – Silk Road July-August 2012

Invigorated by their giant economic leap, emerging countries and new global champions of the Caucasus and Asia are now ready to replay a major role geopolitically and geo-economically. Flax Road – Silk Road Overland is an initiative of a group of Flemish (senior) entrepreneurs who will drive from Flanders to Shanghai to put these former great Asian and Eurasian civilizations along the Silk Road on their knowledge map. The drivers engage in a once in a lifetime experience and reconnect with the symbolism of the Silk Road along which not only goods were transported; also ideas, techniques and beliefs were exchanged between East and West. The Flax Road overland consists of four expeditions. The first two legs are scheduled for July and August 2012 respectively from Flanders (Belgium) to Bishkek (Kyrgyzstan), and from Bishkek to Suzhou (Shanghai). In the summer of 2013 two new expeditions are planned. We aim for 20 participants in 6 to 8 off-road vehicles and assistance truck. The Flax Road is neither a rally nor a race; it is about the magic of places and the chemistry of the encounter, with a promising view on new openings.

The supporting partners are LivingStone, Flanders-China Chamber of Commerce (FCCC), VKW, VOKA, Vyncke Energietechniek, arteconomy, ex-change, Joker and Somati.

Download full document at : www.flanders-china.be.

Logistics: Joker NV (www.joker.be) & 'Tour de Force' (Duncan Milligan, www.tourdeforceuk.com)
Concept: Living Stone Centre for Intercultural Entrepreneurship, www.lscoop.com.
Contact: Dirk Vyncke, Chairman Vyncke Power Engineering n.v., dirk@vyncke.com
Lutgart Dusar, Project Manager, Living Stone Centre, lutgart.dusar@lscoop.com
Registration: 15 February publication (incl. cost breakdown), 1 March 2012: closing.

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.

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

MEMBERS' NEWS

Hainan Airlines introduces BRU-PEK-CAN flight to Canton Fair

To facilitate business trips to the Canton Trade Fair in Guangzhou, the biggest export and import trade fair in China, Hainan Airlines newly introduced additional flights from Beijing to Guangzhou, connecting smoothly with the Brussels-Beijing flight.

Route	Flight	Itinerary	Schedule (2012/3/25-2012/6/30)	Departure	Arrival	Aircraft
BRU-PEK-CAN	HU492 HU7805	BRU-PEK PEK-CAN	2/4/5/6/7 Daily	1350 0840	0530+1 1200	A330 B738
CAN-PEK-BRU	HU7802 HU491	CAN-PEK PEK-BRU	Daily 2/4/5/6/7	1920 0120	2220 0550	A738 B330

FINANCE

Shanghai to become global yuan trade center

Shanghai is set to become a global yuan trade center by 2015, with its financial market transactions almost tripling to CNY1,000, city authorities said as they presented a detailed plan for the future international financial center. It is planned that by 2015 the Shanghai Interbank Offered Rate and the yuan central parity rate will become major benchmarks for yuan asset pricing and transactions both domestically and internationally. The announcement was the first detailed follow-up since the Chinese government announced in 2009 its aim of making Shanghai an international financial hub by 2020. To achieve these goals, Shanghai will build a cross-border yuan payment and clearing network geared toward global demand and a cross-border yuan investment and financing center. Economists said that authorities may speed up liberalization of yuan exchange rates and interest rates to meet the goal. The scale of overseas investment in the city's financial markets will be markedly expanded by that time, with major stock indices and commodities futures prices of those markets having a greater global influence.

China's mutual funds lost CNY500 billion last year

China's mutual funds lost CNY123.5 billion in the fourth quarter of last year, a poor showing that could further dampen investor interest in new equity investment products. The 872 funds managed by 64 asset management firms posted total losses of CNY500 billion for the whole of last year, the second-worst annual performance ever, according to Wind Information. The mutual funds were valued at CNY2.1 trillion at the end of last year. The full-year loss translated into a nearly 20% decline in total assets under management. The loss was in line with a 21.7% drop for the Shanghai Composite Index last year. In 2008, when the key index slumped 65.4%, its biggest drop in history, the mutual funds lost CNY1.4 trillion, about half of their value at the time. As the funds continue to perform dismally, there is a palpable crisis of confidence in the industry, with thousands of retail investors having stopped buying into them. The fourth-quarter loss was 50.8% less than the loss of CNY251 billion in the third quarter, but analysts said the relatively better performance would do nothing to help shore up investor confidence. The China Securities Regulatory Commission (CSRC) uses fund launches as a major tool to boost weak markets, as fresh capital that flocks to the funds increases stock purchases. However, newly launched products attracted an average of only CNY1 billion each in the fourth quarter last year, just slightly better than the CNY900 million in the third quarter. Only 344 funds reported profits last year. Z-Ben says it expects a sharp slowdown in product launches this year as a way to “ease pressure on an increasingly crowded shelf”, the South China Morning Post reports.

- Chinese banks have listed credit and macro-economic risks as well as liquidity to be the top three threats to the country’s banking industry, according to a survey conducted by the London-based Centre for the Study of Financial Innovation, which interviewed 700 bankers in 58 countries and regions. Chinese bankers ranked the quality of risk management their No 4 concern, compared with the global ranking of No 10. Chinese bankers were concerned about asset quality due to China’s cleanup of local government financing vehicles and challenges in the property market.
- Banks in China extended CNY1.26 trillion of new property loans last year, down CNY770.4 billion from a year earlier. It accounted for 17.5% of new loans issued last year, a drop of 9.4 percentage points from a year ago, the People’s Bank of China (PBOC) said. New mid- and long-term loans to manufacturers fell CNY281.9 billion from a year earlier to CNY517.1 billion last year.
- China's government debt is “overall safe and controllable,” Premier Wen Jiabao said, adding that the government took the issue of managing local government debt very seriously. “We cannot have a simple ‘hit the brakes’ approach and must avoid turning localized risks into comprehensive and systemic risks,” Wen pointed out in a speech in January at the Central Financial Work Conference, which was only published recently.
- Cheng Siwei, former Vice Chairman of the Standing Committee of the National People’s Congress (NPC), has proposed that the authorities adjust interest rates to prevent inflation from eroding savings. Real interest rates have been negative for the last 23 months, the longest period in a decade. Inflation last year was up 5.4% from 2010, much higher than the 3.5% one-year deposit rate. Banks are raking in huge profits while the people are not, Cheng added. He anticipated that China’s inflation rate would remain above 5% in 2012.
- Hang Seng Bank unveiled the first yuan-denominated gold exchange-traded fund product on the market for investors who want to ride on the bullish outlook for gold and yuan appreciation. The yuan fund will track the performance of the London gold-fixing price in U.S. dollars and the bank says it will help insulate investors from fluctuations in the yuan-U.S. dollar rate by hedging against foreign exchange rate movements through forex swaps. The listing day is fixed for February 14.
- Yuan deposits in Hong Kong suffered their biggest decline since banks in Hong Kong were allowed to accept yuan deposits in 2004. They fell to CNY588.5 billion at the end of 2011, down 6.2% from CNY627.3 billion at the end of November, according to the Hong Kong Monetary Authority (HKMA). Yuan deposits had risen continuously over the previous two years.
- Shang Fulin, Chairman of the China Banking Regulatory Commission (CBRC), plans

to visit Taiwan this year to discuss topics including loans to small and medium-sized enterprises and asset quality control, with the Chairman of Taiwan's Financial Supervisory Commission. A visit would raise hopes that both sides will further open their financial markets to each other after a landmark free trade pact signed in 2010. Last week, Taiwan approved the opening of branches by the mainland's Bank of China and Bank of Communications.

- South Korea's central bank is considering buying several hundred million U.S. dollars worth of Chinese equities and a greater amount of the nation's bonds to diversify its foreign-exchange reserves. “The Chinese yuan has the potential to become a key reserve currency in the long term and thus we are building a channel to invest there,” said Choo Heung Sik, Director General at the Bank of Korea's (BOK) Reserve Management Group. The BOK said last month that it had received approval from the People's Bank of China (PBOC) to buy bonds and obtained a license as a qualified foreign institutional investor (QFII).
- Central Huijin Investment, the state parent of the country's Big Four state banks, said it would cut the dividend payout ratio for three lenders to help ease capital strains. The ratio for Industrial and Commercial Bank of China, Bank of China and China Construction Bank would be cut by 5 percentage points to 35% of their 2011 earnings, it said. The ratio for Agricultural Bank of China would remain unchanged at 35%.

FOREIGN TRADE

China regrets WTO ruling on raw material exports

China regretted the World Trade Organization’s decision to uphold a raw material export restriction ruling against the country as it reiterated that the curbs were meant to protect the environment. The WTO rejected China’s appeal against the ruling that the country has violated global trading rules when it limited the exports of nine industrial raw materials, including zinc, coke and magnesium, by imposing duties and quotas, which gave domestic manufacturers an unfair edge. “The WTO rules should not only stress free trade but they should also allow member countries to take necessary steps to protect their natural resources and environment,” the Ministry of Commerce (MOFCOM) said. The case was brought by the United States, the European Union and Mexico in 2009. The WTO issued the ruling in July last year, and China appealed in September. The ruling may prompt the U.S. to launch a new case against China’s rare earth export policy. China has said it will keep the 2012 rare earths export quota virtually unchanged from 2011. Coking coal has since 2009 been subject to a 40% export tax, while its export quota shrank to 8 million tons last year from 11.93 million tons in 2009. In the first six months of last year, it stood at 4.6 million tons.

European Court annuls anti-dumping duties on shoe manufacturers

The European Court of Justice annulled anti-dumping duties the EU slapped on Hong Kong shoe makers Brosmann Footwear and Risen Footwear, and Guangdong shoemakers Seasonable Footwear (Zhongshan) and Lung Pao Footwear (Guangzhou). They are among 400 to 500 Chinese and Vietnamese shoemakers which have been paying anti-dumping duties since 2006. Chinese and Vietnamese shoemakers had paid more than USD1 billion in such duties since 2006, said Arnoud Willems, Partner at U.S. law firm Sidley Austin. Willems, who represented the shoemakers, said the companies could expect to gain millions of dollars in tax refunds. The court also ruled that any Chinese exporter requesting an individual assessment of an anti-dumping duty imposed on it is entitled to receive one. Individual assessments increase the likelihood of anti-dumping duties being lowered. The judgment overturned an earlier ruling by the General Court of the EU. It was the fourth time the European Court of Justice had overturned a lower-court ruling, Willems said. The judgment came on the day when Premier Wen Jiabao told German Chancellor Angela Merkel in Beijing that China was considering getting more deeply involved in tackling the EU's debt crisis.

- Taiwanese Economic Affairs Minister Dr Shih Yen-shiang revealed plans to open semi-official trade offices in six cities on the mainland in the next two months. The offices, to be established in major cities including Beijing and Shanghai, will assist Taiwanese businesses on the mainland and help arrange procurement delegations heading for the island. The offices will be set up by the Taiwan External Trade Development Council, which promotes overseas commerce.

MACRO-ECONOMY

China's economic growth is stabilizing

Manufacturing activities in China's large state-owned enterprises (SOEs) continued to expand in January while those of private manufacturers remained in decline, separate surveys showed. Overall, the results were better than expected and indicated stabilizing growth. The official Purchasing Managers' Index (PMI) was 50.5 in January, up 0.2 points from a month earlier, the China Federation of Logistics and Purchasing (CFLP) said. In contrast, the HSBC China Manufacturing Purchasing Managers' Index, which is slanted more toward private and export-oriented companies, remained below 50 in January at 48.8, although it edged up a little from December's 48.7. In both surveys, a reading above 50 points to expansion and below, contraction. "The rebound for a second month in the official PMI shows China's economy is stabilizing," said CFLP Analyst Zhang Liqun. Component indices showed that new orders rose 0.6 points from a month ago to 50.4, while foreign trade was still weak with new export orders losing 1.7 points to 46.9 and imports down 2.2 points to 46.9. Barclays Capital Economist Chang Jian said the official PMI increase should be interpreted with more optimism because it defied the usual seasonal decline in the month of the Chinese New Year. "In our view, the upside surprise also suggests the stronger-than-expected momentum seen in the December data is not temporary or driven solely by seasonal factors," Chang said. "It mirrors the impact of earlier selective monetary easing and proactive fiscal policy, and hence, could be sustained." The Bulk Commodity Index improved to 0.2 in January from minus 0.19 a month earlier, indicating that China's manufacturing sector was improving. The newly launched index, compiled by Chinese commodity data provider 100ppi.com, covers prices of basic raw materials and is on a scale of minus 1 to 1. A reading above zero indicates manufacturing expansion, the Shanghai Daily reports.

The January non-manufacturing Purchasing Managers' Index (PMI) however declined to 52.9 in January from 56 in December. The construction sector saw the most rapid decrease in new orders among 20 industries, indicated by the reading of 32.1, according to the National Bureau of Statistics (NBS). Cai Jin, Vice Chairman of the CFLP, said that the seasonal downturn in the construction industry and the cooling housing market have slowed the pace of growth of the non-manufacturing economy. HSBC Holdings released a separate non-manufacturing PMI figure of 52.5, showing a steady expansion in January. "Real estate is expected to be the biggest risk to the country's economy in 2012," Stephen Green, Chief China Economist at Standard Chartered Bank, wrote in a research note. Rating agency Standard & Poor's recently predicted that China's economy could see a further slowdown in GDP growth to about 8% this year.

- Spending on power generation projects totaled CNY371.2 billion last year, down 6.5% on 2010, data from the National Energy Administration (NEA) showed. Investment in thermal power plants fell 26.1% to CNY105.4 billion. Spending on power grids rose 6.8% to CNY368.2 billion as China continued to improve its transmission capacity, the NEA said. Investment in hydropower projects rose 14.8% to CNY94 billion, while that in windmill farms fell 20% to CNY82.9 billion.
- In their first policy document of 2012, the Chinese authorities underlined the importance of scientific and technological innovation for sustained agricultural growth. It was the ninth document of its kind since 2004 to address rural problems.
- China announced new measures, including a CNY15 billion fund, to aid cash-strapped private small businesses. The government will also extend preferential income tax policies for small enterprises until 2015 and encourage banks to issue special bonds to raise funds to lend to these companies. The Chinese government said small companies have "significant strategic importance" to helping China keep stable and rapid growth amid a global financial meltdown.
- China will resume approvals of nuclear projects later this year, but at a slower pace. "China will be cautious in pursuing nuclear power and is likely to approve only three or four projects each year, compared with the boom in new projects during the 11th Five Year Plan period (2005-2010)," said Xiao Xinjian, Nuclear Industry Expert at the Energy Research Institute affiliated with the National Development and Reform Commission (NDRC).The country had been accelerating its nuclear development since 2008, with 14 reactors approved in 2008 and six in 2009.

MERGERS & ACQUISITIONS

Investment by venture capital firms up 50%

Venture capital firms invested 50% more in Chinese companies last year although the second half of 2011 saw a slowdown in growth. Their investment jumped to USD8.95 billion in 2011, research firm China Venture said. Venture capitalists invested in 976 firms last year, 15.9% more than a year earlier. The number of cases and investment value in the fourth quarter fell 43% and 39% from the second quarter. A China Venture report cautioned that investment by venture capitalists may fall slightly this year due to global economic weakness. Last year, the average size of a single investment was USD9.17 million, a 30% jump from 2010. Internet companies made up 8 of the top 10 biggest venture capital investments.

- Sany Heavy Industry Co and a partner will pay €360 million for German concrete pump maker Putzmeister Holding. Sany will buy 90% of Putzmeister for €324 million and CITIC PE Advisors (Hong Kong) will purchase the balance. “The Putzmeister brand will give Sany an appeal that it doesn’t have at the moment to customers in developed countries,” said Liu Rong, Analyst at China Merchants Securities Co.
- China Gas Holdings said nearly a fifth of its 20,000 employees oppose a USD2.2 billion unsolicited takeover offer from rival ENN Energy and Sinopec. The battle for China Gas intensified last month as South Korea's SK Holdings boosted its stake in China Gas to 12.24%.
- The Portuguese government has agreed to sell a 25% stake in Redes Energeticas Nacionais to State Grid Corporation of China for €387.15 million, while another 15% will be sold to state oil firm Oman Oil for €205.06 million. State Grid has agreed to line up €1 billion of loan facilities from a Chinese bank to finance Redes' capital expenditure and debt refinancing needs. The loan will also finance Redes' expansion in Angola and Mozambique, through joint ventures.
- Royal Bank of Scotland (RBS) rejected a higher offer from China Development Bank (CDB) for its aviation arm over concerns about the ability of the state-owned institution to successfully close the deal, and sold RBS Aviation Capital to Sumitomo Mitsui Financial Group for USD7.3 billion. CDB – a policy bank that does not take retail deposits – had offered to pay USD240 million more. Its highest-profile investment to date was the 3% stake it took in Barclays Capital in 2007.

PETROCHEMICALS

China unveils five year plan for petrochemical industry

China has mapped out a Five Year Plan (2011-15) for the petrochemical industry that will see the country form as many as four refining bases in the coastal regions, each with a refining capacity of 20 million metric tons by the end of 2015. The country also plans to set up three ethylene production bases, with a production capacity of 2 million metric tons each, over the same period, according to the plan released by the Ministry of Industry and Information Technology (MIIT). Figures from China National Petrochemical Corp (CNPC), the country’s biggest oil refiner, show that the country had 17 refineries with at least 10 million metric tons of refining capacity. The annual processing capacity of crude oil would be raised to 600 million metric tons by 2015, compared with 450 million tons last year. Analysts said China will consolidate its refineries by focusing on establishing large-scale facilities and shutting down smaller units that have obsolete refining capacity. MIIT estimates that oil product demand will reach 320 million tons by the end of 2015, with a compound annual growth rate of 5.5% in the five years starting from 2011, down from 7.8% annually in the previous Five Year Plan period, which ended in 2010. Lu Ying, Analyst from the oil market service provider oilgas.com.cn, said that China’s gasoline demand may maintain an average annual growth rate of around 3% to 4% within the five years, similar to the rate seen during the previous Five Year Plan period. Diesel demand is also likely to see a weaker increase, while the major demand will be in jet fuel.

- The Chinese government rejected Japanese protests over alleged improper exploration of gas deposits in the East China Sea. The Foreign Ministry said the recent activity had taken place within Chinese-controlled waters and was completely normal. The deposit is known as Tianwaitian in China and Kashi in Japan, and is located near a median line in the countries' overlapping exclusive economic zones.

- PetroChina has signed an agreement to buy a 20% minority stake in the Groundbirch shale gas project in British Columbia, Canada, from Royal Dutch Shell. The acquisition could be worth more than USD1 billion. China is estimated to hold the world's largest shale gas deposits but commercial production has yet to start.
- United Energy, 68%-owned by tycoon Zhang Hongwei, is seeking to buy oil and gas assets in Asia, the Middle East, Africa and the United States. State-owned China Development Bank (CDB) had granted United a five-year, USD5 billion credit facility to fund its overseas oil-and-gas business.
- China's net crude oil import growth is expected to slow for a second consecutive year in 2012 to 5.98%, according to China National Petroleum Corp (CNPC). Net crude oil imports could reach 266 million tons this year, while domestic oil output might stabilize at 220 million tons. Net crude oil imports rose 6.3% in 2011, below the double-digit level for the first time since such figures were officially released in 2006, when the increase was 16.9%.

REAL ESTATE

Home sales drop sharply during New Year holiday

China's housing market almost came to a standstill during the Lunar New Year holiday, with many cities seeing few transactions. In Guangzhou, 19 new properties were sold from January 22 to 27, a 59.6% year-on-year fall. In Hangzhou only one property was sold during the holiday, while in Nanjing, Jiangsu province, 35 home transactions were recorded during the week, a five-year low. In the city, 270 properties were sold during the holiday in 2007 and 39 in 2011. Media reported that Beijing's market had its chilliest winter ever, without a single transaction during the holiday. However, the Beijing Municipal Commission of Housing and Urban-Rural Development told China Daily that the suspension of the agency's official website during the holiday meant there were no transactions recorded. Housing buyers and sellers in the capital must complete their transactions through the website. Liu Yuan, Senior Analyst with Centaline, a property agent, said the month in which the Spring Festival falls is always the slowest month of the year. “Some property developers have even shut down sales offices,” said Chen Guang, Analyst with Century 21 China. “Only a big price cut, between 10% and 15% for instance, would really stimulate consumers to buy,” said Liu Chunyan, General Manager of Beijing WorldUnion Properties Consultancy Co. The Chinese Academy of Sciences' Center for Forecasting Science has predicted that average housing prices would fall 5.3% this year.

Developers expected to set up their own funds

Major property developers are expected to set up their own funds this year. Developers need to find more than CNY700 billion to pay interest and principal of loans. Major developers such as China Overseas Land & Investment and Gemdale Corp are among the first to have launched their own funds. A total of 29 property funds raised USD4.1 billion in 2011, a big improvement on the USD2.9 billion raised by 28 vehicles in 2010, according to the consultancy Zero2IPO. Industry analysts expect that more than USD6 billion will be raised in 2012 and that the property fund market will expand at an annual rate of 40% to 50% over the next few years. The funds target wealthy entrepreneurs, with an investment threshold of CNY10 million and above and are expected to offer annual returns of at least 25%, said Fu Zhe, Zero2IPO Analyst in Beijing. “Private investors still have a strong interest in the property sector as there are really not many other options for them,” said Su Xin, Chairman of Go-high Investment, which invests in commercial real estate.

Home prices dropped further in January

Home prices in China fell for the fifth straight month in January. Prices fell an average of 0.18% from December to CNY8,793 per square meter in 100 major cities across the country. In September, prices dropped for the first time in a year. From then to the end of 2011, prices fell by between 0.03% and 0.28% in the 100 cities. Last month, prices fell in 60 cities, unchanged from December, with 15 seeing a decrease of more than 1%, compared to 12 in the previous month. The average cost of homes in the 10 largest cities, which include Shanghai, Beijing, Guangzhou, Shenzhen and Chongqing, fell 0.15% to CNY15,565 per sq m in January. Prices in the 10 largest cities fell year on year by an average of 0.62% last month, the first annual drop since June 2010. Premier Wen Jiabao said China would improve tightening measures in the property market to fend off a speculative bubble and help prices return to reasonable levels, reiterating a government resolution to fight soaring prices. Uwin said in a report that new home sales, excluding government-funded affordable housing, fell 63% from a month earlier to 212,700 square meters in Shanghai in January, the second-lowest monthly transaction volume recorded in the city since 2006. The average price of new homes, meanwhile, climbed 1.85% from December to CNY22,541 per sq m.

China to restrict housing loans to overseas buyers

China will restrict the provision of mortgage loans to foreign homebuyers, who are blamed for driving up property prices, as the government intensifies efforts to rein in the booming housing market. The National Development and Reform Commission (NDRC) said it would not approve medium- and long-term foreign debt quotas for overseas banks this year if they intended to use the proceeds to fund mortgages taken out by foreigners. Mortgage loans with a duration of more than one year would be affected, the Commission said. “It indicates [that] Beijing believes foreigners are actively involved in property speculation and have pushed up mainland home prices,” said Alan Chiang at DTZ. “The move sends a message to local people that the authorities are acting to stamp out foreign speculators.” But the measures would have limited impact because most foreigners would secure financing outside China, he said. Residential transaction volumes in Shanghai, a favored investment destination for foreigners, fell 44% last month from the year-ago period, and prices fell 6%, he said. Home sales in Shenzhen, another popular market for foreigners, fell 65% last month from a year ago, and prices fell 16%. Andy Lee of the Shenzhen branch of Centaline Property Agency said foreigners accounted for just 3% to 5% of total property transactions in Shenzhen. Michael Choi, Chairman of Land Power International, expects the luxury residential market to be affected by foreigners' growing difficulties in securing mortgage loans. “Foreigners are largely focused on buying luxury housing projects,” he said. Statistics from Centaline Property Agency show that in 2009 the proportion of homes in Beijing owned by foreigners was only 0.79%, while for apartments valued at more than CNY3 million, the figure was more than 10%. In July 2006, China launched a policy restricting property purchases by foreigners. Only expatriates who have studied or lived in China for more than one year can buy property, with purchases capped at one apartment for self-use.

- China Vanke said January sales hit CNY12.2 billion, a fall of 39% from a year earlier, while Guangzhou R&F Properties said January sales fell more than half compared with last year.
- Minister of Housing and Urban-Rural Development Jiang Weixin said databases of personal housing information in 40 major cities would be linked by the end of June, a measure designed to further curb house speculation. It will enable the authorities to catch people who buy houses in different cities and lay the foundation to levy a property tax nationwide.

RETAIL

Chinese spent more on luxuries during holiday

Chinese consumers spent about USD7.2 billion on luxury goods overseas during the week-long Spring Festival holiday, a 28.6% jump year-on-year, according to a survey by the World Luxury Association. Europe remained the top destination for luxury shopping during the holiday with a 46% market share. Chinese tourists accounted for 62% of its luxury sales, a rise of 12% year-on-year. The Association said Chinese consumers were the biggest luxury buying force during the holiday with watches, leather goods, fashion clothes and cosmetics topping their shopping lists. Luxury spending in China was only USD1.75 billion, mostly in Shanghai and Beijing. Up to 72% of survey participants said they were attracted by cheaper prices abroad. Import tariffs and consumption taxes can make luxury goods 72% more expensive in China than in France. However, 69% of survey participants said that what attracted them to buy was the wider range of products offered abroad while 45% said they enjoyed the better service.

- Advertising spending in Hong Kong reached a record HKD36.03 billion last year, driven by the continued growth of marketing campaigns in the banking, cosmetics and pharmaceutical industries. Market-monitoring firm admanGo said that was a 16% increase from HKD30.98 billion in 2010 and 38% higher than the HKD26.1 billion in 2009. A steady influx of mainland Chinese tourists in the city had boosted sales for many retailers, underpinning increased advertising spending.

SCIENCE & TECHNOLOGY

Controversy over Chinese-funded professorship

A new professorship of Chinese development will be established in March at Cambridge University, funded by a GBP3.7 million donation by the Chong Hua Educational Foundation. Tarak Barkawi, Senior Lecturer in war studies at the university's Department of Politics and International Studies, has expressed concern about the donation, because the Foundation is suspected of having links to the Chinese government.

STOCK MARKETS

CSRC brings more transparency to IPO review process

The China Securities Regulatory Commission (CSRC) started to implement a review process for initial public offerings (IPOs) to increase transparency. Companies that plan to launch IPOs have to go through 10 procedures before they can get the approval from the regulator. Disclosing the IPO review process is part of the latest effort by the CSRC to strengthen regulation on securities trading. The CSRC has also brought forward the time for an IPO prospectus to be disclosed from five days to one month before the public offering review meeting. A CSRC Spokesman also urged securities brokerages to fulfill their responsibilities properly when they help a company complete the IPO process as some of them had not disclosed risks sufficiently in the IPO prospectus. The quantity and size of IPOs by Chinese companies dropped in January due to sluggish stock markets and the week-long Lunar New Year holiday, according to a report by research firm China Venture. Only 20 Chinese companies were listed last month, a 52% annual decrease, and the proceeds they raised from domestic and overseas stock exchanges plunged 84% from a year ago to CNY7.6 billion. Capital raised from domestic listings fell 61.8% annually to CNY6.4 billion last month due to the slow pace of listing approval from the CSRC. Six of the 10 domestic newly-listed stocks fell below their offering price on the first trading day last month.

ChiNext-listed companies report profits

Nearly two-thirds of the companies listed on ChiNext reported profits last year. Out of 285 companies, 191 had reported profits through estimates or annual reports as of January 31, accounting for 67% of the total. The reports show that 35 companies posted net profit gains exceeding 50%. Still, the growth enterprise board dropped below 700 points from 1142.17 in 2010. Despite the market’s lackluster performance last year, 124 companies listed on ChiNext, compared with 117 in the debut year, data from Wind Information Co show. The index faces growing pressure from unlocked shares this year, equivalent to nearly half of the market’s current value. Another major concern is what analysts characterize as an irrational price-to-earnings (PE) ratio, which leads to the overvaluation of stocks. Qian Weihai of Shanghai Securities Co said the proposed delisting mechanism for ChiNext, which was intended to tighten control over speculation and manipulation, would have a compound effect on the board. “But the larger picture for 2012 is liquidity easing,” which should be favorable for the market, Qian said.

CSRC publishes names of listing hopefuls

The CSRC has for the first time released the names of 515 companies seeking approval for initial public offerings (IPOs), in an effort to make the system more transparent. The list will be updated weekly. Last year, 265 offerings raised CNY270 billion from the Shanghai and Shenzhen stock exchanges after a record 349 listings collected a combined CNY478.3 billion in 2010. The CSRC's listings review committee rejected a quarter of last year's applications. Based on the current 515 applicants, at least 400 companies may find a home on the Shanghai and Shenzhen stock exchanges this year.

- China should deepen reforms in its IPO mechanism to give investors and the market more power and to weaken the role regulators play, Premier Wen Jiabao said in comments published by the People's Daily.
- The Shanghai Composite Index fell 1.47% to 2,285.04 on January 30 – the first trading day after the Lunar New Year holiday – wiping away part of the two-day gains before the holiday. Short-selling dominated the real estate sector after sluggish home sales in major cities during the holiday and a drop in new property loans.
- Spring Airlines has kicked off its initial public offering with an application to the China Securities Regulatory Commission (CSRC). The low-cost carrier has hired UBS as underwriter for the flotation on the Shanghai Stock Exchange. The net proceeds will help boost its fleet to 100 aircraft by 2015, from 30 at present. It has ordered 14 Airbus 320s, which have a list price of CNY6 billion.
- Draft rules concerning the imposition of capital gains taxes on foreign qualified institutional investors (QFIIs) are ready to be published, and the tax can help to limit capital outflows and improve the quality of investment projects, analysts said. Regulators are soliciting opinions on the draft. As of January 20, 117 foreign institutional investors with combined quotas of USD22.24 billion were allowed to invest in the Chinese stock markets.
- About a third of China-listed companies have forecast an earnings drop or losses for 2011, according to Shanghai-based data provider Wind Information. 456 A-share firms have either warned investors of losses last year or are expected to post a profit drop.
- Eight IPO's, which are expected to raise a combined CNY9 billion, are set to be launched this week in Shanghai. The IPOs may prevent a sharp rally in the market. The Shanghai Composite Index jumped to 2,330.41 points — the highest since December 7 — on February 3.

TRAVEL

Record traffic for Cathay during holiday

Cathay Pacific Airways saw record daily passenger volumes as holidaymakers travelled during the Lunar New Year holiday. Passenger numbers reached 97,000 on January 28 when most holidaymakers returned to Hong Kong. The airline normally carries about 80,000 passengers daily. Cathay has ordered more than 90 new aircraft with a total listed value of HKD190 billion. The airline expects to take delivery of all the planes by 2019, and it will phase out its entire fleet of Boeing 747s by 2017.

- More than a million tourists traveled to Hainan province for the Lunar New Year holiday, pouring CNY4.3 billion in tourism-related revenue in the local economy, up by 61% year on year, but many of them said they were overcharged.
- A total of 706,748 mainland visitors, including those in tour groups and individual travelers, arrived in Hong Kong during the Lunar New Year holiday between January 22 and January 28, up 6.6% from last year. But out of this total, the number of individual visitors, who tend to be the big spenders, grew only 4.4%. Retail sales during the festival were weaker than expected.

VIP VISITS

German Chancellor visits Beijing and Guangzhou

Premier Wen Jiabao said that China was considering playing a bigger role in resolving Europe's debt crisis by getting involved in European rescue funds, as German Chancellor Angela Merkel arrived in Beijing. Wen repeated pledges of support for Europe, but made no financial commitments. "China is investigating and evaluating ways, through the IMF, to be more deeply involved in solving the European debt problem via ESM/EFSF channels," Wen said. Merkel held talks with President Hu Jintao and NPC Chairman Wu Bangguo in Beijing, while Premier Wen Jiabao accompanied her and her 37-member delegation to Guangzhou. Merkel wrapped up her fifth official visit to China after breakfast with Guangdong Party Secretary Wang Yang. China is Germany's largest Asian trading partner, and Germany is China's top trade partner within the European Union, with business equivalent to its trade with

Britain, France and Italy combined. Germany's imports from China reached €77.27 billion in 2010, while it exported €53.79 billion worth of goods to China in the same year.

- Canadian Prime Minister Stephen Harper is visiting China this week with increasing Canadian oil exports to China high on the agenda. Canada's Athabasca Oil Sands Corp announced in early January that it was selling a 40% stake in one of its oil-sands projects to PetroChina, a move that for the first time will give full ownership of such a project to a Chinese company.

ONE-LINE NEWS

- A total of CNY345.2 billion was invested in water conservation projects last year, Minister of Water Resources Chen Lei said. The central government invested CNY114.1 billion, up 71.2% from a year earlier, while local governments provided a record high of CNY231.1 billion. The Ministry would step up infrastructure in rural areas to ensure safe drinking water.
- About 81,000 foreign experts were working in Shanghai at the end of last year — a third more than in 2005. Shanghai has more foreign experts — overseas professionals recognized by a government certificate — than any other city in China, one in six foreign experts in China.
- Former Xiangtan Deputy Mayor Zhu Shaozhong has been sentenced to 10 years in jail for taking more than CNY2 million in bribes from local real estate developers and abuse of power. He also took another CNY400,000 illegally from other sources. Zhu used to enjoy a high-profile image as an anti-corruption crusader.
- 25 Chinese workers taken hostage by Bedouins in Egypt have been freed after being held for less than a day, but Sudanese rebels are still holding 29 other Chinese workers. The two incidents have sparked renewed calls from the Chinese government and enterprises to improve risk assessment to better protect the safety of workers abroad.
- Rising wages in Shenzhen will make Headwear Holdings, one of the world's largest cap makers, to relocate as much as 50% of its output to Bangladesh over the next two years. The relocation was being fast-tracked after Shenzhen lifted the monthly minimum wage by 13.6% to CNY1,500 on February 1. Average salaries in Bangladesh are much lower compared to Shenzhen.

QUOTES OF THE WEEK

"China is willing to cooperate with Europe to fight the current crisis. Some people say this means China wants to buy Europe. This isn't a concern and doesn't fit reality. China doesn't have this intention and doesn't have this ability. If we join hands to combat the financial crisis and the debt woes, all the problems will be addressed."

Chinese Premier Wen Jiabao, quoted in the China Daily, February 4, 2012.

"Now that Europe is facing a [sovereign] debt crisis, we must consider our relations with Europe strategically, and preserve our national interests. On the one hand, our largest export market is Europe. On the other hand, Europe is our biggest source for importing technology. From this perspective, helping to stabilize the European market is actually also helping ourselves. We must let all parts of the society understand this."

Chinese Premier Wen Jiabao, quoted in the South China Morning Post, February 6, 2012.

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

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