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

NEWSLETTER | 18 JUNE 2012

FCCC ACTIVITIES

FCCC Meeting Reception in honor of the future Consul General of Belgium in Shanghai, Mrs Cathy Buggenhout, 25 June 2012, 18h00, KBC, Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Belgian Consul General of Belgium in Shanghai, Mrs Cathy Buggenhout. The meeting will take place on Monday 25 June 2012 at 18h00 at KBC, Grote Markt 17, 1000 Brussels.

This event offers an excellent opportunity to meet the new Consul General of Belgium in Shanghai and to inform her about your company's activities in China. Should you wish to participate, please register online by 18 June 2012 at the latest. Participation fee for FCCC members: €45, non-members: €75.

PAST EVENTS

Conference “Fragile China? – Appraising Recent Developments and Future Operating Conditions for MNCs”, 6 June 2012, Le Méridien, Brussels

The Flanders-China Chamber of Commerce (FCCC) and The Conference Board organized a dinner “Fragile China? – Appraising Recent Developments and Future Operating Conditions for MNCs”. This dinner took place at Le Méridien in Brussels and was organized with the support of Flanders Investment & Trade.

Mr Bert De Graeve, CEO of Bekaert NV and Chairman of the Flanders-China Chamber of Commerce welcomed the participants and introduced the guest speaker. Mr David Hoffman, Vice President and Managing Director of The Conference Board China Center for Economics and Business, dimensioned China’s near-term economic outlook and medium term economic challenges. He also outlined the issues, implications and opportunities for MNCs in China that are inherent to the economic transition now underway in China.

This interesting briefing was followed by a dinner, during which the participants were able to discuss and exchange their views.

FCCC Industrial fact-finding trip to Shandong province (20-24 May 2012)

The Flanders-China Chamber of Commerce (FCCC) organized a fact-finding trip to Jinan, Qingdao, Yantai and Weihai in Shandong province from May 20 till 24, 2012 as part of its strategy to give its members a better insight into business opportunities in second- and third-tier cities. Managers of a limited group of companies were offered the opportunity to become better acquainted with the area and meet potential partners and senior officials. H.E. Mr. Patrick Nijs, Ambassador of Belgium in China, accompanied the delegation, assuring that it was received at the highest possible level in all the cities visited.

The mission started on May 20 in **Beijing** with a networking lunch organized by the Benelux Chamber of Commerce in China (BenCham), chaired by Mr. Patrick Vandenbemd, General Manager of BenCham Beijing, where participants to the mission also met FCCC members based in Beijing. Mrs Naomi Sanders, Project Manager of the IPR Helpdesk, gave a presentation on the “Top 5 points you need to know about IP in China”. Mrs Ludmila Hyklova, Advisor at the EU-China SME Center, talked about “Due diligence on investing and exporting to China”, while FCCC member and General Manager of Orientas, Drik Laeremans, talked about different ways to get involved in the Chinese market. The lunch-meeting concluded with a brief introduction of the investment environment in Zhuhai, Guangdong province, by Corinna Wu, Event Manager at the Zhuhai Investment Promotion Bureau. In the evening, Ambassador Nijs welcomed the delegation with a dinner at his residence.

On May 21, the mission traveled by high-speed train to **Jinan**, capital of Shandong province, were a meeting and lunch were organized with the leaders of the Lingang Economic Development Zone, who briefed the delegation on the investment environment in Jinan. Mr. Winston Zhao, Partner at Jones Day Shanghai Office, shared some insights on investing in China. Mr Thierry Schmidt, Chairman of the Board of Esco Couplings (Jinan), offered a testimonial of Belgian investment in Jinan, followed by a visit to the company. The mission also met leaders of the Environmental Protection Bureau of Shandong province and Jinan city. Vice Governor of Shandong province Cai Limin met with the delegation and introduced the economic development of the province. Following a banquet offered by the provincial government, the mission continued the trip by high-speed train to Qingdao.

In **Qingdao** the mission was briefed on the investment environment in the city by Mr Feng Wenqing, Chairman of the Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council, followed by a meeting with the leaders of the Qingdao Environmental Protection Bureau, who introduced the opportunities for foreign companies active in the environment sector in the Five Year Plan. Qingdao Vice Mayor Liu Mingjun chaired a banquet for the members of the mission. In the afternoon a visit was organized to the Qingdao Economic and Technological Development Zone and to Huber Engineered Materials, a Member of the FCCC, where Plant Manager Zhang Weijia and HR Manager Helen Lu introduced the company and its experience of investing in Qingdao. The mission also visited the huge new Kempinski Hotel of Qingdao, which will cater to conferences and conventions, and is owned by the Qingdao Weiye Group, chaired by Mr.Li Zhongyu. A successful day was concluded with a dinner with the leaders of the Economic and Technological Development Zone.

Wednesday, May 23, started with a breakfast meeting with Andries Verschelden, Partner, and Scott Krivokopich, Manager at Moore Stephens Verschelden, about taxation issues and the results of a survey of Belgian companies investing in China. Mr. Zhan Haiqing introduced the Qingdao Association of Enterprises with Foreign Investment. Following the breakfast meeting, the mission traveled by bus to **Yantai** for a visit to the Yantai Haide Special Vehicle Co, where Chairman Louis Song and Executive Vice President Maxime de la Morandiere introduced the company. The very brief visit to Yantai was concluded by a meeting with Vice Mayor Song Weining and a dinner attended by leaders of the city. In the evening the mission arrived in its final destination of Weihai.

The first activity in **Weihai** was a meeting with the Municipal Bureau of Commerce and the Weihai-Belgium Cooperation Exchange Meeting with presentations by Mr. Xu Dongming, Director of the Municipal Bureau of Commerce; H.E. Mr. Patrick Nijs, Ambassador of Belgium to the People's Republic of China; Mrs. Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce (FCCC); Mr. Juha Ven of the Huiyin Group and Mr. Geert Roelens, CEO of Beaulieu International Group. A welcoming lunch was chaired by Vice Mayor of Weihai Mr.Tian Zhiying. In the afternoon the mission visited Bekaert (Shandong) Tire Cord, where General Manager Julia Zhu led a visit to the plant; the Weiqiao Textile Co; the Weihai Airport Equipment Co and the Shandong New Northern Information Technology Co. The fact-finding mission to Shandong was concluded with a banquet offered by the leaders of Weihai's Huancui district.

The visit to Shandong was organized with the financial support of Flanders Investment & Trade. An extensive report of the mission to Shandong will be made available to FCCC members this week.

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

Delegation from University College Ghent visits Hebei province

From 4 until 8 June 2012 a delegation from University College Ghent visited Hebei Province in China. The institution was represented by the Dean of the Faculty of Science and Technology (Mr. Patrick Steelandt), the Dean of the Faculty of Applied Bioscience Engineering (Mr. Geert Haesaert), the International Relations Coordinator of the Faculty of Business & Information

Management Campus Aalst (Mrs. Grietje De Graeve) and the senior staff member international relations from the Central International Relations Office (Mrs. Sofie Truwant). The goal of the visit was to enhance the collaboration between several universities in Hebei and University College Ghent.

The visit was organized by the province of East Flanders, who has developed a very close relationship with the sister province Hebei in China. The perfect organization by the province East Flanders and the exquisite assistance of the colleagues of Hebei province during the stay enabled fruitful conversations with several representatives from Chinese universities. The following universities were visited: Hebei Normal University, Agricultural University of Hebei, University of Science and Technology and Tangshan Industrial Vocational Technical College (TIVTC). With the college in Tangshan, University College Ghent already has an agreement since 2008.

During the face to face meetings several collaboration possibilities have been explored for fields such as electromechanics, biotechnology, textile technology, applied computer science, etc. University College Ghent is amongst others interested in the further development of a network of international minded Chinese companies where students can realize their internship.

TIVTC has been asked by Hebei province to visit a distinguished European higher education institution to learn from the educational processes, teaching & management methods and the coordination of international relations. The college has for this occasion chosen to visit University College Ghent during ten days with 10 key teachers and key administrative staff.

FINANCE

Bank lending increases in May

Bank lending in China rose in May, exceeding market expectations, as demand for credit increased due to the country's efforts to boost a slowing economy. Banks extended yuan-denominated loans of CNY793.2 billion in May, up CNY241.6 billion from last year, the People's Bank of China (PBOC) said. That compared with CNY681.8 billion in April and economists' expectations of CNY700 billion. To stimulate growth, "approval of projects was faster, and credit demand especially in western regions grew," said E Yongjian, Researcher with the Bank of Communications (BoCom). Deposits in May increased by CNY1.22 trillion, CNY114.3 billion more than same month last year. Medium and long-term loans rose in May, with 31.6% in non-financial sectors, up from 23.6% in April. Banks' lending capacity may rise following the central bank's move to give more flexibility for banks to set deposit and lending rates. "Both lending and deposits will increase further after the recent interest rate adjustment, and economic activity will become more vigorous," said Liu Weiming, Analyst with China CITIC Bank. Most analysts expect more monetary loosening, as key economic data for May showed no improvement in investment and consumption, the country's two economic drivers. Analysts estimated China has room for one or two cuts in bank reserve requirements this year as inflation cools, and total lending this year may be between CNY8 trillion and CNY8.5 trillion. M2, the broadest measure of money supply, rose by 13.2% in May, 0.4 percentage point faster than April's, but still slower than the 14% annual target set by the government for this year, the Shanghai Daily reports.

More banks raise deposit rates

Second-tier banks followed major lenders in offering higher deposit rates than the benchmark, boosting competition in the finance sector after a recent move towards interest rate deregulation. China Minsheng Banking Corp (CMBC), China Merchants Bank (CMB) and China Citic Bank were among other joint-stock lenders that raised deposit rates following the biggest banks. "The market rates will become more differentiated," Professor Guo Tianyong from the Central University of Finance and Economics, said. "The banks' pricing ability is now being tested." It is the first time Chinese banks have set different deposit rates. Premier Wen Jiabao said in April that the government wanted to break the monopoly in the banking sector. China's commercial banks recorded CNY1.04 trillion of net profit last year, up 36% from a year earlier. Net interest income usually accounts for 70% to 80% of the lenders' income. The one-year benchmark lending rate is 6.31% and the deposit rate is 3.25%, leaving a spread of 3.06%. Lenders including Huaxia Bank and Shenzhen Development Bank (SDB) have raised one-year deposit rates to the highest possible limit of 3.575%, 10% higher than the benchmark. "The rising deposit rates will have a quick negative impact on net interest margin, while the lending rate decline should be gradual and could be partially mitigated by a loan-mix shift into high-yield lending such as to small and medium enterprises," Barclays Capital Analyst May Yan said. She expected banks' net profit to decline 1.6% this year and 7.1% next year due to the interest rate liberalization, the South China Morning Post reports.

HKD-USD peg questioned by former HKMA Chief Executive

Former Hong Kong Monetary Authority Chief Executive Joseph Yam, who 29 years ago helped create the Hong Kong-U.S. dollar peg, triggered wild debate by saying the city could "do away with the exchange rate target" to curb inflation and asset bubbles. Yam, now a Chinese University Professor, repeatedly stressed he was not proposing an immediate removal of the peg, set at HKD7.8 to USD1 and introduced on October 17, 1983. Yam wrote: "There is no doubt the [peg] has, for almost 30 years of its existence, been a pillar of stability for Hong Kong, but there are costs involved. As with all jurisdictions operating with a fixed exchange rate, it is not possible for adjustments to economic shocks of all descriptions to work through the exchange rate. The peg is considered a pillar of the city's financial stability and is such a sensitive issue that officials hardly ever talk publicly about it. Yam is the highest ranking former official to publicly question it. Now Yam's questioning of a policy he once defended is bound to kick-start debates over the currency's future. Many public figures in recent months have criticized the peg for contributing to inflation. Financial Secretary John Tsang said he was "surprised" at the former central banker's view. Hong Kong Chief Executive-elect Leung Chun-ying stressed he would maintain the peg as an effective means to protect monetary stability. Xinhua News Agency carried reports reflecting both viewpoints.

- Agricultural Development Bank of China (ABC) issued CNY3 billion of bonds in Hong Kong for the second time this year. The total subscription amount was more than CNY8 billion, approximately 2.67 times the offer.
- The yuan jumped to its highest level in eight weeks on June 15 as the central bank strengthened its reference rate to 6.3089 per U.S. dollar or 0.97% on the previous day, helping fend off criticism of Beijing's currency policy in the run-up to the Group of 20 meeting in Mexico on June 18 and 19. The Chinese currency is allowed to trade no more than 1% on either side of the reference rate per day. Beijing widened the yuan's daily trading band to 1% from 0.5% on April 16.
- Profitability of China's banks will be hit this year as the government liberalizes interest rates, says Standard & Poor's. The rating agency expects banks' net interest margin – the spread between loan returns and deposit costs – to shrink by 12-13 basis points. The banking sector, it estimates, will earn USD17 billion less this year than what it could have earned without the interest rate changes, and USD42 billion less next year, provided the lenders maintain their present asset mix.
- Tao Liming, President of the Postal Saving Bank of China, and Chen Hongping, another bank manager in charge of capital operation, are being investigated for corruption. Zhuang Yonghui, Chairman of Yantai Bank, a regional lender in Shandong province, was also reported to have been detained by the police for alleged involvement in corruption. More than 30 staff members and managers from the bank, in which Hong Kong-based Hang Seng Bank holds 20%, were also involved.
- Beijing has reached consensus with Taipei on signing a yuan clearing agreement, bringing both sides a step closer to a deal expected to benefit Taiwan banks. The clearing system envisions one branch of a Taiwan bank on the mainland and one branch of a mainland bank on Taiwan becoming designated clearance banks to speed up money transfers to both sides.
- Goldman Sachs became the first global investment bank to relocate its regional Chairman, Mark Schwartz, to Beijing. "Schwartz will be based in Beijing, underscoring the importance of China, and more broadly, the Asia-Pacific region, to the firm's overall business," Goldman said. Goldman was the first Wall Street bank to form a local securities venture in China. Its alliance with Beijing Gao Hua Securities since 2004 provided an advantage over its rivals who tapped the local market after ownership rules were tightened.
- The World Bank has tied up with Bank of China (Hong Kong) to launch an emerging market bond fund that allows retail investors to bet on gains in the currencies of China's major trading partners. It is the second retail fund to be launched by the World Bank, which set up a Japanese retail fund in 2005. The BOC (HK) World Bank

Emerging Markets Bond Fund has a China theme, investing 85% of its assets in World Bank-issued debt securities denominated in 40 currencies of countries trading with China.

- Hong Kong banks began lowering yuan interest rates, after the Hong Kong Monetary Authority (HKMA) launched a yuan liquidity facility. The HKMA will offer one-week yuan loans to local banks in exchange for collateral, such as government bonds. The facility is regarded as a last resort for those seeking yuan funding in times of market shocks.
- To further boost Hong Kong's role as an offshore yuan trading center, the Chinese government is set to announce new initiatives to coincide with the visit of President Hu Jintao to mark the 15th anniversary of the handover on July 1. Potential new measures are likely to include increasing the daily cap of CNY20,000 that individuals can convert, as well as lifting the ceiling of CNY80,000 a day on remittances to the mainland. Yuan deposits in the city have dipped for five consecutive months to about CNY552.4 billion at the end of April, the latest figures available, down 12% from November.
- Cai Jinyong, 53, is expected to retire in the next couple of months as Chief Executive of Goldman Sachs Gaohua Securities, a Beijing-based investment banking joint venture. He was considered the face of Goldman Sachs in China, especially in relations with the government. Cai has recently been shortlisted as a potential candidate for the Chief Executive's job at International Finance Corporation (IFC), the private investment arm of the World Bank.
- The Chinese Gold & Silver Exchange Society in Hong Kong is launching silver trading in three different currencies, Hong Kong dollars, followed by U.S. dollars and later by yuan. Investors could settle in cash or opt for physical delivery. The exchange would use gold warehouses at Hong Kong International Airport to store the physical silver for delivery.
- ING Group has drawn keen interest from bidders for its one-third stake in joint-venture fund house China Merchants Fund Management, which is expected to be valued at around USD200 million. At least 10 foreign investors, including Australia's Macquarie financial group, and Richard Li, have shown an interest in acquiring ING's stake. “Since a joint-venture fund management license is seen as a rare resource, the sale of the stake provides a chance for foreign investors interested in gaining a mainland foothold,” one anonymous source said.

FOREIGN INVESTMENT

Turkey seeking Chinese investment

Turkey is seeking billions of dollars in investment from China and Hong Kong for its railway, energy, infrastructure, property and other sectors. Between now and 2023, the 100th anniversary of the founding of the republic by Mustafa Kemal Ataturk, the government hopes to attract USD130 billion in energy investments and USD23.5 billion in railway investments from all over the world. Projects include the building of 10,000 kilometers of high-speed rail, three new airports, a third bridge in Istanbul, 16 logistics centers, nuclear power plants, and 7.56 million residential flats. Chinese imports soared from USD12.68 billion in 2009 to USD21.69 billion last year, while Turkish exports to China jumped from USD1.6 billion to USD2.47 billion. In the first quarter, China overtook Germany to become the second-largest source of Turkey's imports, behind Russia. The prospects for Chinese investment in Turkey are very good, said Ben Simpfendorfer, founder of Silk Road Associates, a Hong Kong consultancy focusing on countries lying along the route from China to Turkey.

China's FDI on the rise again

China’s foreign direct investment inflow increased 0.05% year on year to USD9.23 billion in May. For the first five months of the year, FDI inflow dropped 1.91% from a year earlier to USD47.11 billion. “FDI inflow has rebounded from a six-month consecutive fall since November, meaning that foreign investors are regaining their confidence in the Chinese market,” said He Weiwen, Director at the China-U.S.-EU Study Center of the China Association of International Trade. China’s FDI grew 10% to a record high of USD116 billion last year, while foreign capital flowing into central and western China increased 14% and 28% during the same period. Chen Jian, Vice Minister of Commerce, said earlier that the decline of the FDI inflow will not be a long-term tendency. Global FDI this year was expected to be USD1.6 trillion, 6.7% higher than last year, according to a report from the United Nations Conference on Trade and Development (UNCTAD). The annual increase is 10.3 percentage points lower than the growth last year. “China’s FDI inflow may begin to see stable growth starting this month, as foreign investors recognize the prosperity of the Chinese economy after the government implemented a series of measures to stimulate the domestic economy,” He Weiwen said. “The slowdown of the U.S. and EU investment in the Chinese market will gradually ease in the second half of this year,” He added. For the first four months of the year, FDI from the EU slumped by 27.9% to USD1.9 billion from a year earlier, the China Daily reports.

Haier opens Benelux office

On June 12, 2012, Chinese electronics and white goods producer Haier opened its Benelux office and showroom in Anderlecht. According to the leading business intelligence firm Euromonitor International, Haier is the number one brand of major appliances in the world with a 7.8% retail volume share in 2011. Haier also ranks number one in refrigeration appliances, freezers, home laundry appliances and electric wine cellars. The company has 70,000 employees worldwide and a strong network of 133,000 retailers in 165 countries. The main group headquarters are located in Qingdao (Asia), Paris (Europe), and New York (the Americas).

Haier has 10 R&D centers and 45 production facilities. The company has showed consistent growth over the last three decades, achieving a record turnover of USD23.3 billion in 2011. This year, Haier also opened an office in Poland and an R&D center in Lyon (France), and launched Home Solutions, its new division. At Haier, quality is the foundation upon which the brand’s reputation is built, including service, product, and environmental quality. Appliances and televisions are now as much ‘part of the furniture’ as the furniture itself. The company's designs have earned numerous awards. 4% of turnover is invested in R&D and 8,000 dedicated employees are involved in innovation programs worldwide. Haier has 12,300 patents and 4,200 certified inventions to its name. It is the world’s leading refrigerator brand with a 13.7% volume market share in 2011, according to Euromonitor. Its annual production capacity is 18 million refrigerators, 10 million televisions, 10 million washing machines, 1 million dishwashers, and other appliances.

- Chinese private companies will be allowed to use foreign currency loans they acquire from domestic banks to finance operations overseas starting on July 1, the State Administration of Foreign Exchange (SAFE) said. The new rules also simplify procedures and eliminate some approval requirements for Chinese firms and their affiliates to transfer foreign currency in and out of the country for the purpose of direct investment. Previously, domestic companies were subject to a quota on the transfer of their domestic foreign exchange holdings to overseas affiliates.

FOREIGN TRADE

China to put more emphasis on imports

Minister of Commerce Chen Deming said that despite some recovery in May’s trade figures, China’s foreign trade condition is still “grim” and that the country will put more emphasis on import expansion at present and in the coming period. China might be able to maintain 10% growth this year “if we’re lucky,” Chen said on the sidelines of a national conference on imports. Equal emphasis should be placed on both exports and imports, Chen said. The decision to expand imports will not be made out of sheer expediency, but as an important step for China’s development, as import growth will enhance economic balance, support structural adjustment, increase consumption and crack China’s development bottleneck, he added. Chen said the government will further facilitate imports by implementing preferential charging policies, as well as strictly managing import charges. More import promotion activities will be held and financial, tax and fiscal support will be strengthened for Chinese importers, he said. The value of China’s imports jumped to USD1.74 trillion in 2012 from USD295.3 billion in 2002, according to the Ministry of Commerce (MOFCOM). China’s foreign trade rose 14.1% year on year to USD343.58 billion in May, rebounding from the 2.7% growth registered in April, with imports rising 12.7% to USD162.44 billion. The Ministry of Commerce expects China to overtake the United States as the world’s largest importer, with the value of imported goods expected to exceed USD8 trillion in the 2011-2015 period.

China not exempted from U.S. sanctions on Iran

China has defended its imports of Iranian oil after the United States refused to exempt China from tough sanctions imposed on countries buying Iranian oil. The U.S. exempted Japan and 10 European Union nations from sanctions in March, granting them renewable, 180-day exemptions, and it exempted six other countries on June 11 – India, South Korea, Turkey, South Africa, Malaysia and Sri Lanka – plus Taiwan. The U.S. said the exempted countries had significantly reduced their oil imports from Iran. China, along with Singapore, remain subject to the sanctions which will see their financial institutions involved in settling oil trades with Iran cut off from the U.S. financial system. China's Foreign Ministry Spokesman Liu Weimin said China imported crude oil from Iran through open and transparent channels, consistent with United Nations Security Council resolutions. “China is opposed to one country imposing unilateral sanctions on another country in accordance with domestic law, let alone imposing sanctions on a third country,” Liu said. China has also reduced its imports of Iranian crude, but the reduction is regarded as having been triggered by price disputes rather than U.S. pressure. Shi Yinhong, U.S. Affairs Expert at Beijing's Renmin University, said Washington's decision will deepen distrust between China and the U.S., but his colleague Jia Qingguo at Peking University said that the sanctions would not affect Sino-U.S. ties.

China rejects U.S. trade criticism

China has rejected U.S. criticisms during a review of its trade policies at the World Trade Organization (WTO) and instead suggested that many American accusations were not only groundless but in some areas hypocritical. U.S. Ambassador to the WTO Michael Punke leveled a wide-ranging salvo of criticisms during the two-day Trade Policy Review (TPR), which every WTO member has to undergo on a periodic basis. Punke said China was falling back into a “tighter embrace of state capitalism”. He complained about China's failure to disclose subsidies, a lack of transparency, and intellectual property enforcement. Assistant Minister of Commerce Yu Jianhua said he regretted that during the review process some WTO members had deemed China was practicing state capitalism. “The term cannot be found in … WTO documents. It has nothing to do with the TPR or WTO rules,” Yu said. “We strongly believe the TPR should not be abused for the purpose of domestic politics.” China answered more than 1,720 written questions in a 442-page document, on topics ranging from its plans to develop shale gas to a promise to set up a deposit insurance scheme as soon as possible. China said the commitments to transparency cited by the U.S. were outside the WTO's remit. “The U.S. never fulfills any of the transparency commitments made to China,” it said. China's response to a U.S. written question on subsidies was dismissive, pointing to differing opinions about what constituted an illegal subsidy. Nevertheless, Beijing pledged to accelerate its efforts to notify the WTO of local subsidies in future.

- China Petrochemical Corp retained the No 1 spot on the list of China's top 500 foreign traders with a trade volume of USD111.9 billion last year, according to a report by the Statistical Society for Foreign Economic Relations and Trade of China. More companies in the central and western regions of the country are joining the list. The trade volume of the top 500 foreign traders has grown annually since 1996 and stood at USD1.357 trillion last year, up 20.48% year-on-year, accounting for 37.26% of China’s foreign trade last year, down from 37.88% in 2010.
- A World Trade Organization (WTO) panel ruled in favor of the United States in a case against import duties imposed by China on “grain-oriented electrical steel”, a specialty steel product used in the cores of high-efficiency power transformers, electric motors and generators. China will conduct further evaluation and reserves the right to appeal, the Ministry of Commerce (MOFCOM) said.
- China may nearly double its imports of wheat this year as feed-grain use grows and harvests in some regions may decline. Shipments will exceed 2 million metric tons this year, Zhang Zhixian, Analyst at Cngrain.com said. China imported 1.26 million tons last year.

IPR PROTECTION

Soy sauce producers fight over brand name

Hai Tian Flavoring & Food Co, based in Foshan, Guangdong province, China's largest soy sauce manufacturer, recently filed a lawsuit against the Weiji Seasoning Food Co, accusing it of using a “misleading” name that could cause confusion between the companies. The company is seeking CNY10 million in damages. Zhang Xin, Brand Manager of Hai Tian, added that the trademark Weiji was registered in 1994, four years before Weiji Seasoning Food Co was founded. Weiji Seasoning was embroiled in a food scandal, which also affected Hai Tian because it used the brand name Weiji.

MACRO-ECONOMY

JPMorgan: China to contribute 40% to world growth

“The country’s growth this year is likely to contribute 40% of world economic growth. China is playing a significant role in stabilizing the global economic system and helping solve the problems of the indebted eurozone,” Jing Ulrich, Chairwoman of Global Markets with JPMorgan in China, said at the bank’s 8th annual China conference in Beijing. “Some data have shown that the economic slowdown in China is being reversed,” added Ulrich. The bank lowered China’s full-year GDP growth forecast to 7.7% from the previous 8.0%, the second downgrade in a month. “The momentum of policy loosening needs to be further strengthened if China’s ongoing growth slowdown is to be reversed,” said Qu Hongbin, Chief Economist in China with HSBC Holdings. “Policymakers need to continue relying more on quantitative easing tools to ensure sufficient liquidity growth,” Qu added. The report from JPMorgan forecast as many as two addition cuts in banks’ reserve requirement ratio by year-end, and a second interest rate cut of 25 basis points in the third quarter. The start of a new cycle of public spending and consumer stimulus will also help boost loan demand, it said. “Given the fast expansion of the consumer segment and income growth in China, the retail sector is expected to contribute more to the economic expansion in the next two quarters,” said Chen Xiaodong, CEO of the Intime Department Store (Group) Co. Ulrich also forecast that China’s stock market may rebound in the second half with the main board index rising to as high as 2,600, the China Daily reports.

- 300 county-level hospitals are expected to undergo reforms in finance, management and human resources by 2015 under a pilot program. The scheme is aimed at changing the existing financing mechanism of hospitals relying heavily on medicine sales while their services are undervalued. County hospitals directly serve more than 900 million people. However rural patients tend to seek better quality services at city hospitals.
- Shanghai and Beijing now rank 16th and 17th, and Shenzhen and Guangzhou 30th and 31st, on Mercer’s latest Cost of Living Survey, while New York is ranked 33rd. The combination of rising prices on and a strengthening yuan has pushed Chinese cities up the ranking. Tokyo is the world’s most expensive city for expatriates, followed by Luanda, capital of Angola. Osaka is 3rd, Moscow 4th and Geneva 5th. There are 214 cities covered in the survey.
- The gap between future liabilities and assets of China's pension fund now stands at CNY18.3 trillion, according to Bank of China Chief Economist Cao Yuanzheng and Deutsche Bank Greater China Chief Economist Ma Jun. China's population is rapidly ageing and living longer, while economic growth slows. The shortfall is expected to equal 0.2% of GDP in 2020, but will grow rapidly, hitting 3.1% of GDP in 2040 and 5.5% in 2050, when the shortfall will equal 20% of government expenditure. People over 65 years old will comprise 23% of the total population that year.
- For the first time, respondents to a Pew Research Center survey were more likely to view China and not the United States as the world’s leading economic power. The 21-nation poll found that 41% of people said China was the world’s economic power, while 40% favored the U.S. Among the 14 nations that were asked the same question in 2008, the margin was wide with 45% placing the U.S. on top and just 22% opting for China.
- “GDP growth in the second quarter could fall below 7% if there are no significant improvements in economic data for June,” said Zheng Xinli, Deputy Director of the China Center for International Economic Exchanges (CCIEE), a government think-tank in Beijing. His comments were carried in the overseas edition of the People’s Daily. Zhu Baoliang, Chief Economist at the State Information Center, forecast second-quarter growth of 7.5%.
- Crédit Suisse Group cut its forecast for China’s economic expansion this year to 7.7%

on falling corporate profits and an investment slowdown, and said that the nation faces years of "weak" growth. "Investment is unlikely to see a meaningful rebound in the foreseeable future," Tao Dong, the bank's Chief China Economist, said. "Government stimulus could moderate the downside risks to growth and perhaps cushion the down-cycle, but we do not see it providing sustainable upward growth momentum." His previous GDP estimate was 8%.

MERGERS & ACQUISITIONS

CSR hesitant on European acquisitions

CSR, China's biggest train maker by market value, is unlikely to make acquisitions in Europe this year because of concerns about the region's economy and the future of the euro. "The debt crisis in Europe is still developing and I think there is a risk of the economy getting worse," Chairman Zhao Xiaogang said. "I want to stay calm and watch for a while." The debt crisis threatened the long-term profitability of companies in Europe and it could cause the euro to tumble, which would cut the value of earnings repatriated to China, Zhao said. CSR is in talks on possible deals in Spain, Italy, Germany, Britain and France, to add new technologies and to ease reliance on domestic sales. The euro crisis "means we may be able to buy an asset at a lower price, but the economic slowdown also threatens companies' survival and development", Zhao said. Italian media reported that the group had bid for stakes in Finmeccanica's train-making unit AnsaldoBreda and signal-maker Ansaldo STS. The company, which also makes rolling stock and wind turbines, signed an agreement to assemble shunting locomotives in Kazakhstan last month. The train maker would have no problem doubling overseas orders this year, and foreign markets would account for 10% of sales, Zhao said. In April, he said the company aimed to generate 20% of sales overseas by 2015, up from 7.7% last year. However, high-speed trains were unlikely to form part of China's rail exports for at least five years because many overseas projects, including one in California, were still at an early stage, Zhao said.

Chinese firms eye Italian fashion companies

Hong Kong and Chinese investment in Italy has ballooned in recent years. "In the fashion design market, there are lots of potential and real deals in Italy involving Asian companies, Chinese companies in particular," Bianca Bonaldo, Managing Partner of Chance Equity Partners, told the "Asia M&A in Europe" forum hosted by Mergermarket, a consultancy that focuses on mergers and acquisitions (M&As). Italian fashion luxury companies need money to grow in the fast growing market of China. A lot of these companies have between €50 million to €100 million of annual revenue. Chinese companies propose joint ventures to sell the brands in China. The value of announced Hong Kong and Chinese investments in Italy jumped from zero in 2009 to €42 million in 2011 and €528 million between January 1 and June 11 this year, according to Mergermarket. "There is a good interest by Chinese investors in Piemonte. There is also great interest from Piemonte companies to find Chinese partners in the China market," Federico Zardi from the Piemonte Agency for Investments, Export and Tourism, said. "Piemonte companies want capital from China to grow more international. Chinese companies seek Piemonte companies for technology," he added. Now Italian small- and medium-sized enterprises (SMEs) saw Chinese capital as a chance to grow, including helping them to grow their sales in China, Zardi said. Patrick Lau, Managing Director of China Construction Bank International, said recent loosening measures by the People's Bank of China "provides ammunition for Chinese companies to go overseas to do mergers and acquisitions".

Gloomy outlook for VC and PE firms

90% of Chinese VC and PE companies will disappear in five years and among the survivors, fewer than 1% will be strong, said Shan Xiangshuang, Chairman of the Board of China Science and Merchants Capital Management. China had some 10,000-plus VC and PE firms at the end of last year managing nearly CNY2 trillion in total assets, according to Liu Jianjun, Director of the Financial Affairs Division of the National Development and Reform Commission's Department of Fiscal and Financial Affairs. In the first quarter, 28 PE funds that can invest in the Chinese market raised about USD2.95 billion, less than 25% of the year-earlier level and down 6.8% from the fourth quarter. As for venture capital, 29 funds raised money investable in China of USD958 million in the first quarter, down 83.8% year-on-year. The National Council for Social Security Fund (NCSSF) had CNY868.8 billion in funds under management at the end of last year, with only 2.2% invested in VC and PE activity, much less than the maximum allowed 10%.

- The energy and mining sectors will be the major focus of Chinese companies investing abroad through mergers and acquisitions, said Li Tong, Executive Director of the China Enterprise Forum. "Private companies will play a bigger role in the M&A wave," Li said at the 2012 China Global Outbound Investment Summit in Beijing. China's ODI surged last year by 1.8% year-on-year to USD60 billion, and 37% of the cases by value were realized through M&As, in the mining, manufacturing, transportation and retail sectors.
- The value of announced Chinese and Hong Kong acquisitions in Spain has collapsed to zero since January, compared with €330 million for the whole of last year. The value of similar acquisitions in the euro zone has plunged to €3.15 billion so far this year from €17.22 billion for all of last year, according to Mergermarket.

PETROCHEMICALS

Battle for China Gas continues

The battle for the control of China Gas, one of China's largest piped-gas suppliers, with 151 projects, is heating up as a key July 6 deadline looms. Since a consortium comprising ENN Energy, a smaller rival of China Gas, and Sinopec, China's No 2 oil firm, revealed an unsolicited USD2.2 billion bid for the company on December 12, two other parties have unexpectedly entered the contest by mopping up China Gas shares. State-owned conglomerate Beijing Enterprises Group and an alliance of London-listed Fortune Oil and ousted China Gas Managing Director Liu Minghui are racing to raise their stakes and are now China Gas's second-largest and largest minority shareholders, respectively. The Fortune Oil alliance, which has amassed a 17.65% stake since December, was determined to kill the ENN-Sinopec offer and would keep buying China Gas shares. Fortune Oil Executive Vice Chairman Daniel Chiu has personally forked out more than HKD700 million in recent months on behalf of the alliance. The consortium, owned 55% by ENN and 45% by Sinopec, is offering China Gas shareholders HKD3.50 per share, a 25% premium to the last traded price before the bid was launched. The consortium must meet pre-conditions, including obtaining Ministry of Commerce (MOFCOM) approval by July 6, before tabling a formal offer. On that date, ENN will also seek shareholder approval to proceed with the bid. Crédit Suisse Analyst Edwin Pang said the offer was likely to fail unless the price was raised. If the offer falls through, the consortium would not be allowed to launch another bid within 12 months. The China Gas board unanimously dismissed the bid, saying it was "opportunistic, unsolicited and failed to reflect the fundamental value of the business," the South China Morning Post reports.

- Tianjin will build a 200,000-cubic-meter oil storage facility by 2015, Xinhua reports. It will be built in the Binhai New Zone in two phases, with the first phase turning operational next year. The storage plant, the city's fourth, will cost CNY550 million.
- The completion of the first phase of the world's largest production plant for potassium sulphate was announced. The CNY4.8 billion plant in Xinjiang has a production capacity of 1.2 million tons of potassium sulfate a year. The plant, which is already the largest in the world, will be further expanded by 2015, when it will have a production capacity of three million tons.
- China National Petroleum Corp (CNPC) aims to boost liquefied natural gas (LNG) sales and power 200,000 vehicles with the fuel by 2015 in a bid to boost the use of the cleaner-burning energy. It plans to sell 11.5 billion cubic meters (BCM), or nearly 9 million tons, of LNG in 2015. But industry observers said an improved network of LNG pump stations is vital to support the market potential. China had more than 1.48 million vehicles running on natural gas at the end of 2011.

REAL ESTATE

More Chinese buying U.S. real estate

China has emerged as one of the fastest-growing sources of international buyers for U.S. real estate. According to a report published by the National Association of Realtors (NAR), buyers from China and Hong Kong made up the second-largest group of foreign buyers of homes in the U.S. in the 12 months to March – Canadians took first place – accounting for USD9 billion of sales, a 23% increase on the previous 12 months and an 88% increase from USD4.8 billion of sales in 2010. "The strongest growth is coming from China and the rise of Chinese buyers has made up for declines in sales from buyers from the UK and Mexico," said Jed Smith, Managing Director at the NAR. However, sales to Chinese buyers still represented only a tiny fraction of the overall U.S. market, which recorded USD928.2 billion in sales in the year to March. Chinese buyers have been most active at the top end of the market. Pamela Liebman, Chief Executive of The Corcoran Group, a residential real estate brokerage company, says there has been a "huge" influx of wealthy mainland Chinese shopping for high-end properties in New York since the start of the year. "Five years ago, we never talked about Chinese buyers. We started noticing them 18 months ago but they have only become much more prevalent in the past year. The past quarter has been our best quarter ever in terms of sales to Chinese buyers." Properties that have been snapped up by China's rich range from USD1 million apartments to USD20 million properties. "We have been recruiting Mandarin-speaking agents and have launched affiliations with brokers in China," added Liebman. "When you look at how cheap U.S. real estate is now compared with China, it makes a lot of sense to buy there, especially since you have more rights when you own a property in America," said a wealthy Chinese investor. Still others are simply looking for somewhere safe to park their cash. In China, all land is owned by the state and investors can only buy leasing rights of usually up to 70 years, rather than to secure outright ownership, the Financial Times reports.

- The President of the biggest real estate developer in Inner Mongolia's Baotou city committed suicide on June 6 by hanging himself in a hotel in the city. Wei Gang, 57, left behind about CNY700 million in debts. Flats in a complex developed by Wei's firm have not been selling well.
- Property developer Richly Field China Development's Chairman He Guang was arrested by Hong Kong police on April 24 for allegedly knowingly publishing false information in the company's 2009 annual report about a construction project at Lake Nanli in Hainan province. The company, which has been suspended from trading since He's arrest, said he was released on bail and not charged.
- China Vanke, the biggest China-listed property developer by sales, plans to set up an overseas headquarters in Hong Kong in the second half of this year, a move aimed at stepping up its overseas expansion. President Yu Liang said the company would first consider investing in developed markets such as the United States. The new headquarters plan comes a month after China Vanke said it was buying a 74% stake in Hong Kong-listed Winsor Properties for HKD1.08 billion.

RETAIL

China expected to have more shopping center space than Europe

China will have more shopping center space than Western Europe in five to 10 years, stoking fears of a property bubble as developers race to build glitzy malls for the fast-growing middle class. China has built at least 20 million square meters of shopping centers in 14 major cities over the past decade, with a further 14.8 million sq m under construction, property consultancy CBRE said. Western European centers cover 55 million sq m. "If China keeps building at this rate, and on the assumption there's more shopping center space outside the cities we cover, China will probably overtake Western Europe in five to 10 years," said Neville Moss, CBRE's Director of Retail Research for Europe, the Middle East and Africa. Europe began building shopping malls in the 1960s, but China started only 10 years ago. Sun Hung Kai Properties and Swire Properties are among developers building new centers in Chengdu, Sichuan province, while Singapore-based CapitaMalls Asia is spending CNY2.3 billion to build its 9th shopping center in Beijing. The rush to build has resulted in a slew of large centers in less developed areas standing largely vacant. New South China Mall – the world's biggest, at 660,000 sq m – in the Guangdong manufacturing city of Dongguan is reported to be mostly empty seven years after it opened. China's building boom sharply contrasts with Western Europe's. At the end of March, 14 million sq m of mall space was under construction in Western Europe, down from 17 million sq m in 2007, according to Property Market Analysis, the South China Morning Post reports.

- Burger King plans to open 1,000 stores in China through a new joint venture with Cartesian Capital Group, a private equity firm, and members of the Kurdoglu family, a

Turkish franchisee of the company. It expects to open the restaurants within the next five to seven years as part of a major international expansion. Burger King currently has just 63 restaurants in China, while Yum, the operator of KFC, Pizza Hut and Taco Bell, has about 4,000 outlets and McDonald's has 1,400.

- Walmart Stores was cited by the Beijing Food Safety Administration for selling sesame oil and squid with hazardous levels of chemicals. The products were produced in March by firms in Hebei and Shandong provinces. They were immediately removed from store shelves. Last week was food-safety week in China.
- Dairy firm Mengniu plans to spend up to CNY3.5 billion by 2015 to source all its fresh milk from large-scale farms, phasing out the small farmers who currently provide about a fifth of its milk. The government ruled in 2009 that dairy processors must control at least 70% of the raw milk they use, to address quality issues.
- Dairy firm Yili Group recalled some baby formula products after "abnormal" levels of mercury were found, although there are no national standards on the level of mercury content in milk powder.
- Beijing-based Gome Electrical Appliances Holding plans to expand to the Middle East through a joint venture company with a Lebanese businessman with close personal ties to Saudi prince Alwaleed bin Talal, a major investor. Gome has been under increasing pressure. Last month, it reported its first-quarter net profit dropped 88% to slightly more than USD10 million as sales fell nearly 30%. Gome's shares have lost more than 45% of their value on the Hong Kong market since the start of the year. If successful, the Middle East deal would mark the first international expansion for Gome.
- Sportswear firm Li Ning expects a significant drop in first-half and full-year profits this year from 2011 as sales fall and it books a one-off impairment loss of CNY59.5 million due to a change in its licensing agreement with Italy's Lotto. The deal will be shortened from 20 to 10 years, ending in 2018, due to unsatisfactory sales.
- Chinese consumers rate value highly ahead of price when they buy products, and this factor encourages 83% of domestic and overseas companies to "develop new and better products," according to the latest China Consumer Market Strategies survey. The consumers' high preference for value is a sharp departure from the past when price drove many purchasing decisions.

SCIENCE & TECHNOLOGY

Shenzhou-IX lifts off for rendez-vous with Tiangong-I lab

The Shenzhou-IX spacecraft was launched from the Jiuquan Satellite Launch Center in Inner Mongolia at 6.37 p.m. on June 16, carrying three taikonauts into space, including China's first women astronaut, People's Liberation Army Air Force Major Liu Yang. The other two are PLA Air Force Senior Colonels Jing Haipeng and Liu Wang. They will stay in space for two weeks, including 10 days in the laboratory module. Jing, the commander of the mission, flew with the Shenzhou-VII mission four years ago. Liu Wang will be in charge of the manual docking operation, a job that Jing described as "as delicate as running a thread through the eye of a needle", while Liu Yang will take care of medical and scientific experiments. She was promoted to deputy head of a PLA flight unit before being recruited as a prospective astronaut in May 2010. She lives in Beijing with her husband, who is also in the military. The authorities said the successful completion of the Shenzhou-IX mission would indicate China's "complete" acquisition of the docking technology and be a "decisive" step towards the completion of a space station by 2020. China first launched a man into space in 2003, followed by a two-man mission in 2005 and a three-man trip in 2008 that featured China's first space walk. In a congratulatory letter, President Hu Jintao, on a state visit to Denmark, called on the astronauts to achieve a breakthrough for the nation with a successful manual docking.

The launch, which was attended by National People's Congress Chairman Wu Bangguo, generated saturation media coverage not seen since the Beijing Olympics in 2008 and the first manned space flight in 2003. Hundreds of channels broadcast the launch live and the number of postings on social networking site Sina Weibo, the Chinese version of Twitter, reached almost 34 million. "One aspect that has attracted a lot of attention to this launch compared to others has been the inclusion of a woman astronaut. It has become a hot topic across the nation over the past few days, which, in turn, has contributed to the extensive coverage by both the print and electronic media," said Zhan Jiang, Communications Professor at Beijing

Foreign Studies University.

- The three-member crew of China's deep-sea submersible Jiaolong set a national record for their deep-sea dive to 6,671 meters into the Mariana Trench. It took the submersible about three hours to reach a depth of 6,000 meters. The submersible will perform six dives, each of which may last eight to 12 hours. The Jiaolong will be turned over to the China Ocean Mineral Resources R&D Association for practical applications after the test dives.
- Innovations were key to the country's development, President Hu Jintao told more than 1,200 top scientists and engineers attending the biennial conference of the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE). The think tanks advise the government and industries on key scientific and technological issues.
- Archaeologists unearthed more than 310 cultural relics from the ancient mausoleum of Emperor Qinshihuang during a recent excavation near Xian, including more than 100 terracotta warriors and horses, chariots, weaponry, drums and a shield. Archaeologists said no shields had previously been found in the mausoleum's three pits of terracotta warriors.
- China has developed a nontoxic and pollution-free engine for its new generation of carrier rockets – the 120-ton liquid oxygen/kerosene high-pressure staged combustion cycle engine. China thereby becomes the second country in the world, after Russia, to own the core technologies for such an engine. China plans to develop its next-generation launch vehicles, including the Long March-5, Long March-6 and Long March-7, in the 2011-2015 period.

STOCK MARKETS

CSRC to further ease QFII regulations

Further policy easing is expected to attract more qualified foreign institutional investors to the Chinese market preparing for the complete opening of the capital account, according to the China Securities Regulatory Commission (CSRC). Revised regulations on QFII may allow investors to invest in China's inter-bank bond market and start the securities margin trading and short-selling business, a CSRC official said. "We welcome foreign long-term investment funds, such as pension funds and issuance funds, to invest in the A-share market," he said. The CSRC granted new QFII licenses to 172 institutions on June 15. So far this year, 30 foreign financial institutions have received quota to expand their business under the QFII scheme. According to data from the State Administration of Foreign Exchange (SAFE), 145 qualified foreign institutional investors had received a total investment quota of USD27.2 billion by June 15. The quota approved this year is nearly the same as the total quota approved in 2010 and last year. Earlier this year, the CSRC expanded the total QFII quota from USD30 billion to USD80 billion.

- China is expected to launch exchange-traded funds (ETFs) that track the performance of Hong Kong stock indices this year. It would be the first product that would allow indirect trading of the city's equities by mainland investors. ETFs would also help reduce the price disparity between the shares of a company listed in Hong Kong and on the mainland.
- The Securities Association of China has issued a draft rule to weed out corruption in the price discovery process for shares in initial public offerings (IPOs). The non-profit body under the China Securities Regulatory Commission (CSRC) said securities industry employees would be barred from taking gifts and cash from underwriters during offline subscription – a bidding system for institutional investors through which prices of new shares are set. The Association admitted that there were irregularities in the IPO pricing process, with underwriters paying bribes to participants to have their share prices inflated.
- Shanghai restaurant chain Xiao Nan Guo is hoping to raise as much as USD75 million in its second attempt at an initial public offering (IPO). Known for selling the Shanghai delicacy, xiao long bao, it had to shelve the listing last September when the blue-chip Hang Seng Index was hit by a wave of selling because of the euro-zone sovereign

debt crisis and credit tightening on the mainland.

- The Postal Savings Bank of China (PSBC), the seventh-largest lender in China, had been expected to do an initial public offering of shares (IPO) through a listing in Hong Kong, or a dual listing in Hong Kong and Shanghai, as early as the first half of next year, raising the equivalent of several billion U.S. dollars, but the recent taking into custody of Tao Liming, the bank's President, and at least two of his colleagues, on suspicion of having committed economic crimes, has put the IPO plan on hold.

TRAVEL

Jetstar HK seeks operating license

Jetstar Hong Kong, the budget airline set up by China Eastern Airlines and Australia's Jetstar, has sought regulatory approval for a license to operate air services from Hong Kong. Liu Shaoyong, Chairman of China Eastern Airlines, said the joint venture had lodged an application for an operating license with the Transport and Housing Bureau. He expected the application to be approved by the end of this year, ready for services to start next year. Jetstar Hong Kong would also need to obtain a license from the Air Transport Licensing Authority before it could operate scheduled services to and from the city. In addition, it would need to be a designated Hong Kong carrier. The USD198 million joint venture plans to operate short-haul routes from Hong Kong with three aircraft in the first half of next year. Liu said Jetstar Hong Kong and China Eastern would collaborate, but he declined to give further details. It is expected that China Eastern will channel passengers from second- and third-tier Chinese cities transiting Hong Kong to Jetstar Hong Kong's regional routes. Analysts remarked that any designated Hong Kong carrier had to be incorporated and have its principal place of business in Hong Kong, a criterium which would be hard for Jetstar to fulfill. Air China Chairman Wang Changshang warned that the low-cost carrier model might not be suitable for China owing to political and economic constraints. “The infrastructure of China cannot support the growth of low-cost carriers, as there are only 150 airports in the nation,” he said. Air China will not step into the budget carrier market any time soon, and “will mainly focus on improving its current main services,” he added. Air China made a net profit of CNY7.5 billion last year, down 38.8% from 2010 mainly due to rising fuel prices.

- The first expressway linking Yunnan with Vietnam will open next year. The 600 km route will connect Kunming to Hanoi, the capital of Vietnam. The two countries have been upgrading roads to create the cross-border expressway since 2009. Three other cross-border highways connecting Yunnan to Thailand, Myanmar and India are also under construction.
- The Ministry of Railways (MOR) may lose control of investment, construction and railway operations as part of a long-awaited reform to split its regulatory and operational roles, according to Chinese media. The Ministry planned to establish and inject assets into three companies and transfer control to the State-Owned Assets Supervision and Administration Commission (SASAC). Reforms of the railways already announced include public tendering for rail projects and the introduction of private capital. The reforms would be completed before October. The Ministry denied the report, saying it is only a “rumor”.
- Beijing's public bicycle service was launched with a first batch of 2,000 bikes in two districts. The first hour is free, while riders pay CNY1 an hour afterwards, up to a maximum daily charge of CNY10. So far, 63 bike renting stations have been set up. By 2015 the city will offer 50,000 bicycles at 1,000 service stations. The service is only available to Beijing citizens with a local household registration.
- Cathay Pacific Airways is considering changing its on-board entertainment system to reduce the weight of the plane by at least one ton. Screens on the back of airline seats are likely to be replaced by tablets, offering music and movies streamed through the airplane's Wi-fi network. Australian budget carrier Jetstar, a unit of Qantas, has already bought 3,000 iPads to be used on its routes from Australia.
- British Airways will expand long-haul routes, especially to China, in the next three to five years, when its orders for Boeing 787s are delivered, CEO Willie Walsh of parent company International Airlines Group said. The carrier now has 13 flights weekly between London and Beijing and Shanghai.
- Construction plans for the fourth and fifth runways at the Pudong International Airport

have passed a quality appraisal by experts for the National Development and Reform Commission (NDRC). The fourth runway, 3,800 meters long, can handle the largest commercial plane, the Airbus 380. The 3,400-meter fifth runway, located by the sea, will be used for C919 test flights. The cost of the two new runways will be CNY9.4 billion.

VIP VISITS

President Hu visits Denmark ahead of G-20 Summit

Chinese President Hu Jintao visited Denmark on his way to Los Cabos in Mexico to attend the G-20 Summit. Several business deals were signed with Danish companies, including agreements with Danish container and shipping group A.P. Moller-Maersk, brewer Carlsberg, wind turbine maker Vestas and dairy cooperative Arla. Hu met Danish Queen Margrethe II and toured Copenhagen's harbor aboard the royal yacht, cruising by green technology projects and the Little Mermaid statue. The Danish capital intends to reduce carbon emissions by 20% by 2015 and to become carbon neutral by 2025. Hu's visit is the first by a Chinese head of state since the two countries established diplomatic ties 62 years ago. President Hu Jintao received words of encouragement for China's bid to expand its influence in the oil-rich Arctic on the final day of his state visit. Hu wrapped up the visit by meeting Danish Prime Minister Helle Thorning-Schmidt and signing a raft of partnerships that included agreements on tariffs, environmental protection, cultural exchanges and agriculture. Anshan in Liaoning province has signed a strategic cooperation agreement with Danfoss, a Danish temperature-control systems manufacturer, and COWI, a consulting firm, to implement the first district heating system fully designed with Danish standards in Anshan, to help the city cut energy consumption, reduce CO_2 emissions and reach an energy efficiency level higher than today's Copenhagen. Denmark was one of the first Western countries to establish diplomatic relations with China. Last year the most valuable category of Danish exports to China was medical and pharmaceutical products, while China's main export to Denmark was clothing.

Belgian and Chinese Vice Premiers meet

Belgian Vice Premier and Minister of Foreign Affairs Didier Reynders met Chinese Vice Premier Li Keqiang in Beijing. China will help solve the European debt crisis through various channels and firmly supports the euro and EU integration, Li said. "China believes the EU is capable of having member nations reach consensus and that they will make efforts to stabilize the financial situation, promote growth and employment and properly handle the debt issue," Li said. Reynders told Li that Belgium is willing to play an active role in pushing forward China's relations with Europe. Reyners also met Foreign Minister Yang Jiechi and Vice Chairman of the National Development and Reform Commission Xie Zhenhua, and addressed the China Global Outbound Investment Summit.

ONE-LINE NEWS

- Yang Aijin, Deputy Mayor of Fuzhou from December 2007 to 2010, is being probed for amassing 17 properties and cash of CNY30 million. He was closely connected to property developers and had approved substandard construction work in Fuzhou. Several businessmen in Fuzhou were recently detained in the probe.
- Former Chinese Football Association (CFA) Vice Chairman Nan Yong was charged with 17 counts of taking bribes worth more than CNY1.19 million between 1999 and 2009, while another former CFA Vice Chairman, Xie Yalong, who was in office from 2005 to 2009, was charged with 12 counts of accepting bribes in excess of CNY1.7 million. Both were sentenced to 10-1/2 years in prison and ordered to pay CNY200,000 in fines. Four former national team members were among others sentenced to up to six years and fined CNY500,000 each for taking bribes to help fix the result of a domestic league game.
- Liu Lefei, Chairman of Citic Private Equity Funds Management, a unit of Citic Securities, has resigned amid growing concern about children of top government leaders taking up important positions at large state-owned enterprises. Liu, 39, is the son of Liu Yunshan, a Communist Party Politburo member.
- China's wealthy hold 17% of their total net worth in jewelery, fine art, wine, antique furniture, classic cars and precious metals, according to a Ledbury Research global

survey of more than 2,000 people published by Barclays, compared with 16% in Singapore, 14% in Hong Kong and an average of 9.6% globally.

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

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