法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 10 SEPTEMBER 2012

FCCC ACTIVITIES

Information session: Financial incentives and investment funds for doing business with China – 12 September 2012, 15h – Offices of FIT, Brussels

The Flanders-China Chamber of Commerce and Flanders Investment & Trade are organizing an information session focused on financial incentives and investment funds for doing business with China.

The session will present a view on investment funds available and which financial incentives are being offered. This seminar focuses both on Flemish companies wishing to expand in China and Chinese companies investing in Belgium.

This practical information session will take place on Wednesday 12 September at 15h at the offices of Flanders Investment & Trade, Gaucheretstraat 90, 1030 Brussels.

The programme is :

14h30	Registration
15h00	Welcome by Mrs Claire Tillekaerts, CEO Flanders Investment & Trade
15h10	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
15h20	"China-Belgium Investment Funds" by Mr Rik Daems, Senator, Chairman China-Belgium Investment Fund
15h50	"TINA: Transformation through Innovation, a multi-company approach", by Mr Roald Borré, Business Manager, Investment Fund TINA, PMV
16h20	"Financial Support to companies" by Peter Bulckaert (Head of Department Finance & IT) / Yves Roekens (Head of financial incentives) Flanders Investment & Trade
16h35	Questions and answer session
16h45	Networking cocktail

If you are interested in attending, please subscribe online via the following link: http://www.flanders-china.be/events_subscription1.asp?id_event=251&lang1=
Participation fee for FCCC Members: €45, for Non-Members: €65.

Lunch seminar: EU Business in China: Position Paper 2012/2013 – 18 September 2012, 12h00 – Résidence Palace, Brussels

The Flanders-China Chamber of Commerce (FCCC) is inviting its members the annual lunch seminar "EU Business in China: Position Paper 2012/2013", which will take place on Tuesday 18 September 2012 at 12h at the Résidence Palace, Rue de la Loi/Wetstraat 155, 1040 Brussels. The seminar is organized by the European Union Chamber of Commerce in China (European Chamber) in collaboration with Business Europe and the EU-China Business Association (EUCBA), of which the FCCC is in charge of the secretariat-general. At this occasion, the European Chamber will present its European Business in China Position Paper

2012/2013.

Speakers:

- Karel De Gucht, Commissioner for Trade, European Commission
- Davide Cucino, President, European Union Chamber of Commerce in China

This is the 13th edition of this annual publication, which has grown in importance and stature to become a vital contribution from private business to the development of China and Europe-China relations. On the eve of a generational leadership transition, China's economic model remains unstable, unbalanced, uncoordinated and unsustainable. China's state capitalism has supported high-levels of growth for the last 3 decades. However it has reached the point in which bold reforms are needed in order to create the conditions whereby the drivers of innovation, productivity and efficiency will prevail.

The "EU Business in China: Position Paper 2012/2013" illustrates the perception of European business regarding the challenges to operate in the Chinese market. But it also wants to contribute by providing constructive recommendations on how China could move to a more balanced and sustainable economic model. Drawing on the industry knowledge and expertise of the European Chamber's 1,700 member companies, this year's Position Paper presents Chinese and European policy-makers with more than 600 key recommendations. Trade Commissioner Karel De Gucht will deliver a speech on the current climate of EU-China business and economic relations.

Agenda:

12h00 –13h00:	Registration and buffet lunch
13h00 –13h15:	Introduction by EU-China Business Association
13h15 –13h45:	Presentation of the European Business in China Position Paper 2012/2013 by Mr Davide Cucino, President, European Union Chamber of Commerce in China
13h45 –14h00:	Speech on EU-China business relations by Mr Karel De Gucht, European Commissioner for Trade
14h00 –14h15:	Q&A

The participation fee is €85. Register online via following link:
http://www.flanders-china.be/events_subscription1.asp?id_event=250&lang1

EU-China Business Summit – 20 September 2012 – Brussels – Speaking & Sponsorship Opportunities and Registration

Following the announcement that the EU-China Political Summit will take place on 20 September 2012 in Brussels, we have started preparing the EU-China Business Summit which will be organized the same day in parallel to the Political Summit. It is a joint initiative by the EU-China Business Association (EUCBA), BUSINESSEUROPE, the China Council for the Promotion of International Trade (CCPIT) and the EU Chamber of Commerce in China (EUCCC).

The EU-China Business Summit provides business leaders from China and Europe with an opportunity to discuss the current commercial environment as well as issues of common concern in the EU-China trade relationship. It is held annually, alternately in the EU and in China, and recognized as the most high-level platform for exchange between EU and Chinese business and political leaders.

We expect a Chinese delegation of about 100 senior business people (including CEOs) to attend the event. The overall theme will be linked to investment – opportunities and challenges in both China and the EU.

The 8th EU-China Business Summit will:

- Bring together the highest level of European and Chinese political leaders including Chinese Premier Wen Jiabao, European Commission President José Manuel Durão Barroso, European Council President Herman Van Rompuy and global CEOs.

- Provide an excellent opportunity to join an open discussion with European and Chinese leaders about current and future challenges and opportunities that shape the business environment in China and the European Union.

- Provide an excellent opportunity to expand business relations and the EU-China network with important counterparts from Chinese business and politics.

Speaking & sponsorship opportunities:

As the Chinese business delegation will be very high-level, including CEOs from major Chinese companies, we are actively seeking Global CEOs from representative European Companies to participate as key European business speakers at the EU-China Business Summit.

The EU-China Business Summit will also provide an excellent opportunity for companies to present themselves and their activities to a broad public of high-level business and political representatives from China and the EU. We are happy to provide more detailed information about this possibility.

To register for the event, click here no later than 14 September 2012.

FCCC Meeting with high-level Weihai delegation (Shandong Province) – 24 September 2012, 13h30 – Ghent

To mark the visit of the Party Secretary of Weihai and his delegation, the Flanders-China Chamber of Commerce (FCCC) is organizing an information meeting. This meeting will take place on Monday, 24 September at 13h30 at the House of the Province of East-Flanders, Gouvernementstraat 1, 9000 Gent.

The Party Secretary of Weihai, Mr Sun Shutao, and representatives of the Weihai Investment Bureau will give an outline of the investment environment in Weihai, Shandong province, where several Flemish companies such as Bekaert, Beaulieu and Weihai Golden Solar Thermal Industrials have a major investment. The Party Secretary will be accompanied by leading entrepreneurs from Weihai, who wish to get acquainted with our business environment and to find potential partners. The composition of the delegation and a description of their activities is available at: info@flanders-china.be. In May 2012, the FCCC organized a successful visit with Flemish companies to this dynamic city.

Weihai City is situated in Shandong province and has seen an impressive economic growth over the past two decades. The city has been listed as one of the most dynamic cities with the fastest economic development in China. Weihai is a well-known port city in China and is therefore a lucrative industrial base with key industries. It has attracted a vast amount of foreign investment to focus on developing the industries of shipbuilding, automobiles and parts, electronics and information, electromechanical equipments and tools, textiles and garments, food and pharmaceuticals.

Programme:

13h30	Registration and networking with the delegation
14h00	Welcome by Mr Marc De Buck, Vice Governor of the Province of East Flanders in charge of External Relations Introduction by Mrs Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce
14h15	Introduction of Weihai and its investment environment by Mr Sun Shutao, Party Secretary of Weihai CPC
15h00	Introduction by the delegation member companies and their strategies for investment and cooperation
15h30	Networking with the delegation members and exchange of views

This meeting is an excellent opportunity to gain a better insight in the investment opportunities of Weihai and to meet potential partners.

Should you wish to participate, please register online by Thursday 20 September at the latest. This meeting is organized with the support of Flanders Investment and Trade.
Participation fee for FCCC members: €35, non-members: €65.

BICCS Seminars 2012-2013, organized in cooperation with the Flanders-China Chamber of Commerce – 4 and 5 October 2012 – Brussels

The Brussels Institute of Contemporary China Studies (BICCS) is organizing its 2012-2013 seminar series in cooperation with the Flanders-China Chamber of Commerce (FCCC) and the EU-Asia Centre. All seminars are free of charge, but registration is mandatory. All seminars, apart from the one on 5 October, take place at BICCS, Pleinlaan 5, Brussels. For more information, please contact Mischa Puyenbroeck via biccs@vub.ac.be.

4 October: China's lonely rise: This seminar will clarify the responses that China's rise elicits from the United States and the Asian powers. Professor Rosemary Foot, Oxford University, will discuss whether and how China and the United States can manage their complicated relationship that is characterized by both competition and cooperation. Xie Tao, Professor at the Beijing Foreign Studies University, will focus on what is wrong with China's good neighbor policy and how much China could be able to tackle the troubled relations between Beijing and the other Asian countries.

16h00: Prof. Dr. Rosemary Foot on the Sino-U.S. relations.
16h30: Prof. Dr. Xie Tao on China's good-neighbor policy.
17h00: Debate, moderated by Jonathan Holslag
18h00: The policy view: Sem Fabrizi (tbc)

5 October: Taking stock of China's economic reforms: For years it has been stated that China's growth is unbalanced and unsustainable. But how much has China addressed its economic distortions? What are the scenarios for China's future growth? How should we interpret China's economic rise from a Belgian and European viewpoint? What does it mean for large investors in China? The opening conference of the academic year 2012-13 will address these questions with several very acknowledgeable speakers.

16h00: Opening Gustaaf Geeraerts
16h05: Introduction panel: Jonathan Holslag
16h10: Prof. Dr. Michael Pettis, Tsinghua University and Carnegie Foundation: Keynote
16h30: Panel discussion with

- Steven Vanackere, Vice Premier and Minister of Finance
- Marc van Sande, Vice President Umicore
- Ambassador Liao Liqiang (tbc)
- Michael Pettis

– moderated by Jonathan Holslag
17h15: Debate
18h00: Reception

Four more seminars will be organized at later dates and be announced in our newsletter in due time.

OTHER ACTIVITIES

China Low Carbon City Tour – September 15-19, 2012 – Beijing-Dezhou-Nanchang-Beijing

New energy is one of the seven Strategic Emerging Industries under China's 12th Five Year Plan which receives favorite policy support from the central government. To decarbonize the economy and encourage the development of new energy industry and application, the government targets to have 11.4% non-fossil fuel based primary energy by 2015, and to shoot for 15% by 2020. The Climate Group's 5th China Low Carbon City Tour focuses on new energy industry development and application. The tour will bring local and foreign business delegates and investors to two Chinese cities – Dezhou and Nanchang. The delegation will gain industry insights by meeting senior city government officials, as well as local business leaders. The tour will also include visiting local industrial parks and projects.

Key activities of the Low Carbon City Tour include:

- Visiting Dezhou Solar Exhibition, Dezhou Economic Development Zone, Solar Valley, Industrial Park, and selected industrial plants;

- Meeting with Dezhou Mayor and DRC officials;
- Visiting Nanchang Economic Development Zone and low carbon projects;
- Meeting with Nanchang Mayor, DRC officials, business and financial institutions on projects and development roadmap

All activities in Dezhou and Nanchang of the Low Carbon City Tour are free. The Dezhou government will cover all local expenditure including meals and accommodations. However, we will charge each participant CNY6,000 to cover round trip transportation from Beijing-Dezhou-Nanchang-Beijing. If participants are departing directly from Nanchang after the tour ends, the cost is CNY5,000.

For more information: Xue Yanyan, Senior Manager, The Climate Group, Tel: +86 10 6440 3639 (ext 8008), E-mail: yxue@theclimategroup.org

University of Ghent China Lecture Café, starting on 25 September 2012, Ghent

The University of Ghent, Structural Partner of the Flanders-China Chamber of Commerce (FCCC), as from September 25th, is organizing the with a lecture series on diverse aspects of China, based on research by professors and researchers from different departments. The lectures will take place every 4 weeks, on Tuesday from 12h to 14h, in Tentamenzaal (UFO, St-Pietersnieuwstraat 33). Sandwich lunch will be provided.

The program for the coming months is to be found at http://www.ugent.be/china. Subscribing is free but mandatory, by email to isabelle.decoen@ugent.be.

25/09/2012 – Prof Ruddy Doom: “Repressive tolerance and visual arts in the People’s Republic of China”

23/10/2012 – Prof Bruno Merlevede: “China and the world economy – past, present en future”

20/11/2012 – Prof Geert De Schutter/ Prof Luc Taerwe: “Concrete for tall structures: the Shanghai case”

11/12/2012 – Prof Bart Dessein: “New Confucianism and the Mandate of Heaven”

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

Beaulieu lays foundation stone for Weihai facility

Beaulieu International Group (BIG), Europe’s leading floor covering group, celebrated the foundation stone laying of its new industrial facility in Weihai, Shandong province on August 31, 2012. The ceremony took place was attended by state and local officials. The project, where technical textiles for the floor coverings industry as well as geo- and agro-textiles will be manufactured, is located in Weihai in Shandong province and covers an area of 100,000 square meters with a design that looks towards maximizing on efficiencies and keying in on the growing market demand for quality products in the region. Besides the Asian headquarters of BIG in Shanghai and the Rizhao factory, Weihai will be the second industrial facility of Beaulieu in Shandong, where state of the art equipment will be installed in order to take a decisive step towards further strengthening the group’s diversified position in China by acquiring a significant market share in the primary backing, geo-textiles and agro-textiles market segments. Since the announcement of the expansion to Weihai last March, Beaulieu has laid out the construction project, planned for the installation of state of the art equipment and set up recruitment and training programs for key staff. Production in the project’s first phase will start in the first half of next year.

FINANCE

More bond issues called for

The government should further relax the existing regulatory system and allow county and prefecture-level cities to issue bonds, said Xu Lin, Director of the Fiscal and Financial Department of the National Development and Reform Commission (NDRC). Many cities are lagging behind in terms of water, sewage and waste treatment facilities, he said. It is “not sustainable” for local governments to rely on income from land transfer payments to finance infrastructure construction, he added. According to the existing budget law, local governments are not allowed to issue bonds without the approval of the central government and the quota of CNY250 billion for this year is totally inadequate, according to Xu.

- A pilot program to replace business tax with value-added tax in certain sectors to avoid double taxation will be launched in Guangdong province on November 1. It will be similar to the one in Shanghai, which includes the transport sector and six service industries, such as R&D and IT services. There will be two new tax rates of 11% and 6%, and a 3% VAT rate will be applied to smaller taxpayers with annual sales of less than CNY5 million. An estimated 138,000 business-tax payers in the province are expected to be included in the program.
- HSBC Holdings opened a branch in Tangshan, Hebei province, to further extend its service network in north China. HSBC China operates the biggest branch network among the foreign banks on China’s mainland with 131 outlets, including the new branch.
- Sinopharm, China's biggest drugs distributor, plans its largest-ever bond sale to repay more expensive loans and fund expansion in a health-care market forecast to triple this decade. The issue of as much as CNY8 billion of debt maturing in up to 10 years follows an 0.8 percentage point drop in the Shanghai-based company's 2014 notes this year to 4.13$, according to Chinabond.
- Shanghai is to build the 2.83 sq km Qiantan Area, a new financial zone similar to Lujiazui, in the Pudong New Area, which will include multinational firm's headquarters and an international community for foreign employees, the Shanghai Municipal Bureau of Planning and Land Resources said. Supermarkets, top international schools and hospitals will be provided to cater for the international community. A highlight of the area will be thousands of meters of bicycle lanes and more than 50 bicycle renting stations.
- The State Administration of Foreign Exchange (SAFE) had banned 1,500 “shell” companies, which didn’t conduct any business, from trading foreign currencies by the end of August amid tightened risk control over cross-border capital flows. The forex businesses of another 700 firms were also curbed after irregularities were found. China has recorded the biggest quarterly outflow of foreign capital in the second quarter with a USD71.4 billion capital-account deficit.
- China’s “big four” state-owned banks extended almost the same amount in loans in August as they did in the previous month after local governments announced new investment plans valued at CNY7 trillion. The four lent CNY220 billion in August.

FOREIGN INVESTMENT

More foreign investment flowing to Xinjiang

The Xinjiang Uygur Autonomous Region is playing a key role in Asian and European countries’ investments in China, Erkin Imirbakhi, Chairman of the Standing Committee of the Xinjiang Regional People’s Congress said at the 2012 Eurasian Investment Promotion Agencies Roundtable. “Thanks to its geographic advantage and rich reserve of resources, Xinjiang has tremendous business opportunities that attract investors worldwide,” he said. The roundtable conference was a key forum during the second China-Eurasia Expo, held in Urumqi, the capital of Xinjiang. More than 160 investment agencies from 15 countries, including Britain, France, Italy, Mongolia and Pakistan, attended the round table focused on investment promotion and Eurasian regional economic collaboration. Foreign investment in Xinjiang has surpassed USD3 billion, with more than 500 foreign investors seeking a foothold in the region, and the investment is undergoing its most rapid growth. Foreign companies engage mostly in the energy, mining and manufacturing industries. Premier Wen Jiabao invited Eurasian nations to join Beijing in exploring the region's growth potential during his address at the opening ceremony of the Expo, which was upgraded by the central government last year. Xinjiang, which covers one-sixth of China's landmass, borders key regional players including Kazakhstan and Pakistan, but poor infrastructure has hampered economic activity. In the first half of 2012, Xinjiang's GDP rose 10.7%, 2.9 percentage points higher than the national average. The U.S. this year became Xinjiang's third-largest trading partner, and Xinjiang's exports to the EU, Malaysia and South Korea also doubled. 55 countries and regions attended the second expo, nearly twice the figure for 2011.

China prepares new investment catalogue for seven industries

Foreign companies will enjoy new opportunities with the development of the recently announced seven strategic emerging industries, such as environmental protection and new-energy vehicles. Key products and services provided by the industries are being catalogued, Ren Zhiwu, Deputy Director General of the Department of High Tech Industry at the National Development and Reform Commission (NDRC), said. The catalogue, to be finalized shortly, will define the scope of the industries and list their products and services. The government wants the industries to generate 8% of GDP in 2015 and 15% by 2020, a marked rise from the 4% of GDP that they were responsible for in 2010. Plans for energy saving and environmental protection, high-end manufacturing, new materials and new-energy vehicles have been issued. Plans for new-generation information technology, biotechnology and new energy are being examined for approval by the central government. Other reforms are in the pipeline, Ren said, such as low-altitude airspace management, the convergence of telecom, broadcasting and internet network services, and reform of the pricing mechanism and quota system for new energies. The government will set up a special fund to boost emerging industry development totaling CNY7.5 billion this year. More than 20 local governments have launched detailed plans to boost emerging industries and are designing a range of preferential policies, subsidies and loan arrangements. Further opening up to international cooperation is a must, said Feng Fei, Director of the Industry Department at the State Council Development Research Center, as reported by the China Daily.

New development zone opens in Lanzhou

A new state-level development zone has opened in Gansu province. The Lanzhou New Area is expected to promote bilateral trade with Central and Western Asian countries. It is the fifth national-level development zone, after similar zones were set up in Shanghai, Tianjin and Chongqing. It marks the country's latest effort to accelerate development of the western regions. The province plans to start building a railway line and an expressway before the end of the year to link Lanzhou's old city with the new area. Covering 806 square kilometers and with a population of about 110,000, the area has already attracted 90 investment projects, with a total investment of CNY70.7 billion. Some of the country's top 500 companies, including Geely Automobile and Sany Heavy Industries, have already set up plants or have factories under construction there. The area's GDP is to reach CNY50 billion by 2015 and CNY270 billion by 2030, and its population is likely to exceed 500,000 by 2020. The four other state-level new areas are Shanghai's Pudong New Area, Tianjin's Binhai New Area, Chongqing's Liangjiang New Area and the Zhoushan Islands New Area in Zhejiang province.

- The Chinese and Russian sovereign wealth funds – the China Investment Corporation (CIC) and the Russian Direct Investment Fund – are making their first joint investment in a Siberian timber company as part of a push to increase commercial ties. The fund will make its first investment of around USD200 million for a minority stake in Russia Forest Products. Chinese investments in Siberia have been hampered by Beijing's concerns about the reliability of Russia's investment environment – as well as by Russian suspicions about Chinese motives in the sparsely populated far east.
- China remains a strong and attractive market for foreign investors, despite reports that growing numbers of international companies, particularly manufacturers, have been considering pulling out of the market, Spokesman Shen Danyang of the Ministry of Commerce (MOFCOM) said before the start of the four-day 16th China International Fair for Investment and Trade in Xiamen. Foreign direct investment into China declined 8.7% in July from a year earlier to USD7.58 billion, the eighth drop in nine months.
- The China Israel Healthcare Technologies Conference was held in Beijing to help

- Israeli healthcare companies and Chinese pharmaceutical and medical device companies learn about the market and find opportunities for joint ventures.
- North Korea's Central News Agency accused the Chinese Xiyang Group, a producer of fertilizer and minerals, of breach of contract for meeting only 50% of its investment obligations. Xiyang Group’s investment in an iron ore powder venture was the largest Chinese investment in the DPRK. A Xiyang manager told Reuters that it signed up for a 75% stake valued at USD45 million in a 10 million ton a year iron ore processing plant, which started producing in April 2011, and stopped two months later after the DPRK prohibited it from selling 30,000 tons of ore and arbitrarily raised land, power, water and labor costs. Chinese investment in the DPRK’s non-financial sector had increased to USD300 million by the end of 2011.
- German chemical manufacturer Lanxess will spend USD294 million to build a synthetic rubber plant in China, its biggest investment in the country. The plant, which will make ethylene propylenediene monomer (EPDM), will have the capacity to produce 160,000 metric tons per year and will be ready in 2015. EPDM is used in windscreen wipers and door sealants.

FOREIGN TRADE

European Chamber urges China to play fair

The European Union Chamber of Commerce in China urged Beijing to allow greater market access to foreign investors and abolish unfair policies that favor the country's state-owned enterprises. In its annual position paper on China, the Chamber outlined 10 areas where it said the business environment worsened last year, including logistics, public procurement, vehicles and private equity. In the vehicle sector, it said China had not included any foreign brands in its selection of official cars, and in logistics, domestic express delivery services for letters had been added to the prohibited category in the Foreign Investment Catalogue released in December. It said foreign companies had benefited little from public procurement despite a “minor improvement” in the past year as they have been excluded from most of the country's infrastructure and public works projects. The Chamber estimated the scope of government procurement open to foreign firms covered only 12% of the market, which was likely worth about €1.05 trillion last year. The majority of the business had been granted to state-owned enterprises (SOEs) and financed with public money. “Whether China will overcome its many vested interests to increase market access in key sectors is the question at the heart of the EU-China relationship,” the paper said.

- China has promised to allow the import of more products from India, to close an existing USD23.4 billion trade gap between the two countries, following the visit by a Chinese delegation led by Minister of Commerce Chen Deming. Chinese exports to India reached USD73.9 billion in 2011, with its Indian imports worth USD50.5 billion, according to statistics from China's General Administration of Customs (GAC). The Indian government recently submitted a list of more than 900 of its preferred export items to China. India primarily sells copper and iron ore to China, and imports high-end manufacturing and high-tech goods. Bilateral trade is planned to grow to USD100 billion by the end of 2015.
- Cotton inventories in China, the world’s biggest user, will triple over the next two years to a record as domestic demand slumps to the lowest level since 2005, according to the latest estimates from the U.S. Department of Agriculture, a year after record prices spurred farmers to expand their output. Prices have already plunged 65% from last year’s peak.
- China has become the world’s largest manufacturer and seller of elevators, with an average annual growth of 20% over the past 10 years, the organizers of the upcoming 2012 World Elevator Summit said. By the end of 2011, China had installed more than 2 million elevators nationwide, while its elevator sales and production volume both topped 450,000 units, accounting for more than 60% of the global total. China’s elevator export volume exceeded 47,000 units in the same period. Domestic elevator producers now occupy almost 40% of the domestic market, up from 20% 10 years ago.

MACRO-ECONOMY

Inflation accelerated in August compared to July

The Consumer Price Index (CPI) expanded 2% from a year earlier last month, up from July's increase of 1.8% and ending four straight months of decline, the National Bureau of Statistics (NBS) said. Food costs, nearly a third of the basket, spurred the rebound by rising 3.4% last month, accelerating from 2.4% in July. A surge in corn and grain prices around the world and bad weather affecting the vegetable crop were cited as partly to blame. In comparison, costs in the non-food sector increased 1.4% last month, lower than July's 1.5% gain. Zuo Xiaolei, Economist at China Galaxy Securities, said the rise in inflation was expected. Wang Jun, Researcher with the China Center for International Economic Exchanges, urged the government to further loosen the monetary supply despite the rebounding inflation, as he expected the CPI to retreat again in the fourth quarter. The Producer Price Index (PPI) fell 3.5% year on year in August, a 34-month low from July's drop of 2.9%. Industrial production grew 8.9% annually last month, a three-year low, and down further from July's 9.2%. Fixed-asset investment (FAI) in the first eight months rose 20.2%, also 0.2 points slower than that during the January-July period and defying market estimates of a strong rebound after faster approvals of investment projects since June. Retail sales increased 13.2% year-on-year in August, up a bit from July's 13.1% but still behind June's 13.7%. The impact of the eurozone crisis was underestimated, while credit injections were smaller than expected because of weak borrowing demand, Liu Yuanchun, Deputy Dean of the School of Economics at Renmin University of China, told Xinhua News Agency. He predicted the weakness to last in the third quarter, although accelerated government investment and previous pro-growth policies may make a difference. Zhou Hao, Economist at Australia and New Zealand Banking Group, said China needed to take more aggressive monetary policy moves to raise liquidity and stabilize growth, the Shanghai Daily reported.

- China's is expected to spend USD1 trillion on healthcare in 2020, up from USD357 billion last year, McKinsey & Co said. The country's expenditures on healthcare more than doubled from 2006 to 2011, going from USD156 billion to USD357 billion, and coming close to being equal to 5% of the country's gross domestic product (GDP).
- Soaring housing prices and the higher cost of living forced more than 600,000 migrant workers to leave Beijing last year, according to official statistics. About 8.25 million of the capital's 20.18 million people last year were temporary residents. Real estate agencies said the average apartment rent rose by 13% last year, to CNY3,280 a month, making housing largely unaffordable for migrants.
- China has approved plans for CNY1 trillion in infrastructure spending over several years to support economic growth. China's growth fell to 7.6% in the second quarter, its lowest in three years, and data in recent months has pointed to an even steeper slowdown this quarter. The National Development and Reform Commission (NDRC) approved 25 urban rail projects, 13 highway construction projects, seven waterway projects and nine waste water treatment plants.
- The service industry has shown persistent growth and may help counteract a recent slowdown in manufacturing. The Purchase Managers' Index of the non-manufacturing sector surged to 56.3 last month from July's 55.6, while the manufacturing PMI fell from 50.1 in July to 49.2 in August, the lowest since November 2011. The non-manufacturing PMI has been above 50 – indicating expansion – since March 2011. "The non-manufacturing sector is playing a more important role in stabilizing the economy," said Cai Jin, Vice Chairman of the China Federation of Logistics and Purchasing (CFLP).
- China's competitiveness ranking dropped three places from a year earlier to 29th in 2012, the first decline since 2005, the World Economic Forum (WEF) said in its Global Competitiveness Report 2012-2013. Switzerland, for the fourth consecutive year, topped the overall ranking, followed by Singapore and Finland. The United States continued its decline in the ranking for the fourth consecutive year, falling two places to seventh.
- China's smaller companies saw growth in service activities ease to a one-year low in August, according to HSBC. The Business Activity Index stood at 52 in August, down from 53.1 in July. The expansion in activities was the weakest for a year, and many surveyed companies said there was hardly any new business.
- The Ministry of Industry and Information Technology (MIIT) said industrial output will

expand by about 10% this year, down from the 11% goal given in December. A slow recovery abroad and weak investment at home will keep weighing on Chinese factories, MIIT said in a statement. “China’s economic situation at present is more complicated and faces more uncertainties than in 2008 when the international financial crisis broke out,” the Ministry said.

MERGERS & ACQUISITIONS

Nexen shares down after CNOOC agreement

Shares in Canadian oil and gas explorer Nexen have lost 2.9% since Beijing-based CNOOC's takeover offer was announced on July 23, leaving them 8.5% below the agreed price. While the majority of Canadians in a survey commissioned by Sun News Network want the government to reject the purchase of Calgary-based Nexen by CNOOC, Natural Resources Minister Joe Oliver said that Canada needed foreign investment to develop and market its raw materials. In July, CNOOC agreed to buy Nexen in the biggest overseas takeover by a Chinese company. China's largest offshore oil and natural gas explorer said it would pay 61% more than Nexen's prior closing price. About 30% of Nexen's production last year came from its Canadian operations. Its oil and gas assets include production platforms in the North Sea, the Gulf of Mexico and Nigeria, as well as oil sands reserves at Long Lake, Alberta, where it already produces crude in a joint venture with CNOOC. The deal is subject to review under the Investment Canada Act, which requires that foreign takeovers provide a “net benefit” to the country. CNOOC applied for Canadian approval, Interior Minister Christian Paradis said on August 29. The process can take 75 days or longer. CNOOC has also asked the U.S. government to review its USD15.1 billion offer. The voluntary submission was made to the Committee on Foreign Investment in the United States. The Committee, chaired by Treasury Secretary Timothy Geithner, reviews foreign takeovers of U.S. companies on national security grounds. About 10% of the Canadian oil producer’s assets are in the U.S.

Australia approves take-over of Cubbie Station farm

Australia approved Chinese textile group Shandong Ruyi's purchase of cotton farm Cubbie Station, igniting fresh concerns about foreign investment in agriculture. The farm covers almost 1,000 sq km of southwestern Queensland and has been in receivership since 2009 with more than AUD300 million of debts. The approval comes as China seeks to increase food security by encouraging its firms to expand overseas. Another Chinese firm, Shanghai Zhongfu Group, is eyeing agricultural developments in the northwest of Australia. Ruyi and administrators for Cubbie would not comment on a price for the cotton farm, valued at up to USD500 million, but said the foreign investment approval cleared the way for further negotiations on a sale. Under the proposed purchase, Ruyi will take 80% of Cubbie Group, while Ruyi's Australian partners, the Lempriere family group will take a 20% stake. Ruyi would need to reduce its stake to 51% within three years. The Lempriere group would be responsible for operating Cubbie Station and marketing the cotton on the international market, easing concerns Ruyi could use the deal to lock up cheap supplies of cotton. Cubbie can grow up to 330,000 bales of cotton in a good year, as well as some wheat, barley, sorghum and corn. The station also has entitlements to 537,000 mega-liters of water. Critics said Australia was losing control of a strategic asset, the South China Morning Post reported.

- The China Development Bank (CDB) and French state-owned bank Caisse des Dépots have created a €150-million fund to take minority stakes in French and Chinese small and medium-sized firms. The fund would invest between €3 million and €15 million in each company.

PETROCHEMICALS

Honghua interested in shale rock exploitation

The Sichuan province-based Honghua Group, China's largest maker of rigs, is seeking expertise in producing equipment used in extracting oil and gas trapped in rock formations. Unconventional oil and gas sources, such as those adhering tightly to coal seams and shale rocks, are hard-to-reach energy resources whose exploitation has only been made economical on large-scale production in the United States in the past few years. In December last year, Honghua formed a joint venture in Gansu province with Gansu Huateng Petroleum Machinery

Manufacturing, a maker of trucks and pressure pumps.

- Twenty-two people convicted of defrauding thousands of investors out of nearly CNY550 million on a fake oilfield project were sentenced in Harbin People's Court to terms ranging from five years in jail to death. The scam affected 6,536 people in 21 provinces between 2007 and 2010. Two men who received death penalties have appealed against the verdict.

REAL ESTATE

House prices up for third month in August

House prices in China rose for the third straight month in August. Average prices climbed 0.24% from July to CNY8,738 per square meter in 100 major cities across the country, according to China Index Academy research. That compared with an increase of 0.33% in July and a gain of 0.05% in June, which was the first month-on-month growth since September 2011. Nationwide, prices advanced in 63 cities, compared with 70 in July, with 10 seeing rises of more than 1%. Yangzhou in Jiangsu province led all gainers with a monthly growth of 2.03%. Losses were posted in the remaining 37 cities, with five registering falls of more than 1%. Year-on-year, home prices in the 100 cities fell 1.6% on average, the fifth drop in a row. “Property transactions around the country remained rather stable last month and repeated government vows to maintain housing curbs and prevent a price rebound seemed to be effective in decelerating growth,” the Academy said. The average cost of homes in the 10 largest cities rose 0.45% from July to CNY15,539 per sq m, with Wuhan recording the biggest increase of 1.64%. In Shanghai, purchases of new homes, excluding government-funded affordable housing, fell 6.6% from July to 802,000 sq m, losing strength for the second month, Shanghai Deovolente Realty Co said. The new homes were sold for an average CNY22,651 per sq m, a drop of 7.9% from a month earlier, the Shanghai Daily reported.

- The total supply of residential land in China was 47,200 hectares in the first half, which was only 29.6% of the planned figure for land sales this year. Cities are raising the sales of land use rights to ease their fiscal situation. In 300 cities, the August residential land supply was as much as the total in the first seven months. Beijing is expected to see a land transfer peak in October. Affected by the cooling property market in the first seven months of this year, income from the transfer of state-owned land use rights decreased 27.1% year-on-year.
- Of the CNY5.08 trillion invested in realty development in China between January and July, only CNY22.8 billion were foreign funds, a 54.3% year-on-year decrease. Average monthly foreign funds invested in realty development in the first seven months of the year totaled CNY3.26 billion, compared to CNY6.63 billion in 2010, while the figure in 2011 was CNY6.78 billion.
- The Shanghai government earned CNY152.5 billion by selling land use rights last year – a 22 drop from 2010 – and land sales plunged further this year, declining in value by 60% during the first eight months.
- The sale of eight more plots of Macao land bought by property developer Chinese Estates for its planned luxurious residential project La Scala will be declared void by the Macao government. This comes after the sale of an original five plots of land, at the center of a HKD20 million corruption case between jailed former Macao Public Works Director Ao Man-long and Hong Kong tycoons Joseph Lau and Steven Lo, were declared invalid. Ao was jailed for 29 years for corruption and money laundering and Lau and Lo will face trial later this month.
- Agile Property might be considered in default on some of its bank loans if Chen Zhuolin ceases to be Chairman, DBS Group Research Analysts wrote in a report. “Offshore loans of CNY4 billion will be considered as being in default if Chen is not or ceases to be the Chairman,” the report said. Chen, 49, was arrested by police in Hong Kong last month in connection with an allegation of indecent assault.
- A Changsha real estate developer has vowed to invest CNY4.2 billion to build the world's tallest skyscraper in the city. It would be 838 meters tall, or 10 m taller than the current record holder, the Burj Khalifa in Dubai. Officials confirmed that an environmental impact study was under way for the project.

- Hong Kong Chief Executive Leung Chun-ying has yet to give a timetable for a long-awaited scheme to restrict flat sales to Hong Kong buyers, even after he announced a series of measures to stabilize the market. The restriction is aimed at curbing speculation by mainlanders and other outside buyers, which has been blamed for pushing up prices. The government says there is a need to collect data on how many properties mainlanders have invested in before implementing the policy.
- The price of luxury apartments with river views in Changsha, Hunan province, has risen to about CNY20,000 per sq m as the country's real estate market remains hot. The average resident earns between CNY3,000 and CNY4,000 a month.
- A new skyscraper being built in Suzhou is called by its designers the “Arch of the Orient” and the “No 1 Gate in the World,” but critics say it looks more like a pair of long underpants. Some said the new building reminded them of China Central Television’s headquarters in Beijing, nicknamed Big Shorts. The 301.8-meter arch is due to be completed by the end of this year to become a Suzhou landmark as the largest arch-shaped building in the world with 69 stores, a luxury hotel, offices and a shopping mall. The project cost CNY4.5 billion.
- There were 350 skyscrapers higher than 152 meters in mainland China, outstripping the number in the United States as of March 2011, according to the website motiancity.com. The country is building another 287 high-rises.
- Sales of previously-owned properties in Shanghai fell 15.5% to 17,800 units in August from July, the first drop in four months, as inadequate supply and a price rebound deterred buyers, Century 21 China Real Estate said in a report. The homes were sold at an average of CNY17,000 per sq m last month, up 3.4% from July.
- Office rents in Beijing will experience the fastest growth rate this year and for the next five years, with rent levels expected to surpass Shanghai's in 2013, according to DTZ. Prime office rents rose 46.8% year-on-year at the end of the first half of this year. Office rents in some second-tier cities, including Shenyang and Chongqing, also saw strong growth of more than 20% year-on-year, thanks to new projects launched in the past six months, which drove up the overall level of rents.
- The sales of high-end property saw a strong rebound in the first eight months this year, data from Centaline Group showed. A total of 3,277 units of high-end apartments — which refer to apartments with a unit price higher than CNY40,000 per sq m — were sold during the first eight months, compared with 2,301 units in 2011. The average price stood at CNY50,400 per sq m, up 4.3% compared with the same period of last year.

RETAIL

Luxury goods price inflation slows down

Price increases for luxury goods and services in China this year are at their slowest level since 2009 but continue to outpace inflation, according to a report by the Hurun Research Institute. China’s Luxury Consumer Price Index, which measures price changes in 62 luxury items, rose 4.94% in June from a year earlier. The Luxury CPI has outstripped inflation over the past six years, Hurun said. Travel costs jumped the most, by 11.92%, 7.82 percentage points higher than last year. A one-night stay in the presidential suite of The Peninsula Hotel Hong Kong soared 34.47% to CNY80,360. Prices for alcohol, cigars and cigarettes grew at 7.84% compared with last year’s 9.2% increase. Among Chinese rice liquors, Shuijingfang Classical Collection overtook Moutai as the biggest riser, with a 58.98% price increase, to CNY1,399. Top education fees were up 7.58%, almost the same as last year. The private jet and yacht market consolidated with a moderate 2.14% increase following a 20.11% surge last year. Luxury car prices rose just 0.72%, slowing from last year’s 1.54% growth. Prices of upscale properties shed 2.42% this year after stricter measures were introduced to curb speculation, the Shanghai Daily reports.

- The National Development and Reform Commission (NDRC) launched an investigation into a high-profile price war on electrical appliances amid complaints from consumers that they were cheated by three retailers, Jingdong Mall, Suning Appliance and Gome Electrical Appliances, which had all raised their original prices before conducting promotional activities to lure consumers. The NDRC found that the retailers either fabricated the original prices before offering discounts or told customers that the appliances were sold out although there was stock in the warehouses. The retailers still enjoyed a gross margin of 4% to 22.43%, although they advertized their margin was zero.

SCIENCE & TECHNOLOGY

Controversy over children involved in medical trial

Tufts University in Massachusetts confirmed that it had used Chinese children as guinea pigs in a trial of a new type of genetically modified rice, following a denial by authorities in Hunan province that such a study had taken place. University Spokeswoman Andrea Grossman said the trial picked 72 children between the ages of six and eight in rural areas in Hunan and they were fed with either genetically-modified golden rice, spinach or carotene capsules over a 35-day period. The study showed that the “Golden Rice” was as effective as capsules and even better than carotene-rich spinach as a source of vitamin A, Grossman added. The trial aimed to prove that the rice was an effective source of vitamin A, and was approved by authorities in both China and the United States. More than 200 million children around the world suffer from insufficient intake of vitamin A, and 250,000 fall ill every year as a result, with half of those children dying, Grossman said. The study was partly sponsored by the U.S. National Institutes of Health, and the results were published in the August edition of The American Journal of Clinical Nutrition.

- Minister of Education Yuan Guiren said the Ministry is urging local education authorities to release plans by the end of this year to enable migrant workers’ children to take the university entrance exam or gaokao in the city where they live instead of where they have their permanent residence permit. China has 245 million migrant workers and more than 20 million children who follow their parents to the cities. The parents must have stable jobs and accommodation in the city, and have paid tax and social insurance contributions.

STOCK MARKETS

Chinese entrepreneurs accuse Citron Research of lying

A group of 66 Chinese entrepreneurs and executives have signed an open letter accusing Citron Research and other short-sellers of manipulating information and misleading investors in reports about Chinese companies. Citron Research boldly tells lies, knowing that American readers have no way of verifying them, they said in the letter. Executives who signed the letter include Lee Kai-fu, former head of Google's operations in China, and Zhang Yaqin, President of Microsoft's Research and Development in Asia. The iShares FTSE China 25 Index Fund, the biggest Chinese exchange-traded fund in the U.S., has fallen 5.2% this year as Citron, Muddy Waters and other short-sellers published reports on companies including New Oriental Education & Technology. The S&P 500 Index has gained 11.9% during the period. In response, Citron said the “attack” ignored its track record of “exposing wrongdoing in both Chinese and U.S. companies”. Citron's recent targets include Evergrande Real Estate, which last month reported a 21% decline in its first-half underlying profit. In a June report, Citron said the Chinese developer “has used accounting tricks and bribes to hide the fact that it is truly insolvent”. Evergrande denied the report and filed a police report in Hong Kong over the allegations.

- China National Biotec, the country's largest provider of vaccines and blood products, secured approval from the Ministry of Environmental Protection (MEP) to raise up to CNY10 billion in a Hong Kong initial public offering (IPO). The firm still needs approval from the China Securities Regulatory Commission (CSRC).
- People's Insurance Company (Group) of China (PICC), which had planned a dual listing on the Hong Kong and Shanghai stock exchanges, now looks likely to proceed with a smaller offering in Hong Kong of USD3 billion next month or in November, and delay the Shanghai portion. The China Securities Regulatory Commission (CSRC) still has to approve a Shanghai listing.
- Chinese companies accounted for more than half of this year’s Asia Fab 50, a list compiled by Forbes.com of the 50 best publicly-traded companies in the Asia-Pacific region. Baidu joined 26 other Chinese companies on the list this year. Chinese

footwear maker Belle International Holdings also joined the list this year. Three Chinese property developers – China Vanke, Longfor Properties and Poly Real Estate – also made the list.

- China Eastern Airlines' shares were suspended from trading, pending a capital injection from its parent company to trim debt. The details of the capital injection through a private share placement to China Eastern Air Holding are expected to be announced this week. China Eastern already received two capital injections totaling CNY10 billion in 2009. Still, its net gearing – the percentage of net debt to net assets – amounted to 287% as of the end of June, the highest among Chinese airlines.

TRAVEL

Boom in business jet traffic in Shanghai

Business jet traffic at Shanghai's two airports in August rose 43% annually amid growing demand from rich individuals and private firms. The increase translated into 311 departures and landings last month. In the first eight months of the year, 2,700 business jets took off and landed at Pudong and Hongqiao international airports, up an annual 24%, said George Lu, Deputy General Manager of the Shanghai Hawker Pacific Business Aviation Service Center at Hongqiao airport. Dassault Falcon launched its maintenance business in Shanghai last week, the third company to do so after Hawker Beechcraft and Bombardier. Kathy Liu, Dassault Falcon's Director of Customer Service for the Asia Pacific, said China's private enterprises have become major buyers of business jets "as all the 20 Dassault business jets on the mainland are owned by private enterprises." A high-end Dassault jet costs about USD53 million. Shanghai's airports handled 3,400 private jets last year, 33% of the total in the country, and the number may top 4,000 this year. Shanghai plans to build its second business aviation base at Pudong airport to meet the demand, the Shanghai Airport Authority said. The Hongqiao base began operations in 2010.

- Kosmopolito Hotels International, Hong Kong's biggest hotel owner by number of rooms, plans to cash in on mainland tourists by expanding its portfolio of rooms by 45% to 7,000 over the next three years in favored holiday destinations. Nearly 70% of Chinese tourists picked holiday destinations in Asia, while 13% preferred Europe. Kosmopolito owns and operates 4,873 rooms in 18 three-star and four-star hotels. Ten of the hotels are in Hong Kong, including its flagship Cosmopolitan Hotel in Causeway Bay and Lan Kwai Fong Hotel in Central, three are on the mainland and five are in Malaysia. By 2015, the company plans to add 2,191 rooms in Hong Kong, Zhongshan, Singapore, Malaysia and London. Kosmopolito proposed to change its name to Dorsett Hospitality International to strengthen brand awareness.
- According to Hong Kong's Tourism Board, Hong Kong's hotel market will add 5,342 new rooms this year, and 2,791 rooms next year, representing 6% and 7% growth respectively. By comparison, "we expect hotel demand to grow by 12% and 11% year-on-year mainly driven by visitors coming from the mainland", Morgan Stanley Analyst Lin He said in a report.
- China Southern Airlines will fly Airbus A380s on the Beijing-Paris route beginning in October, ending a year long wait to use super jumbos on international services from the Chinese capital. The route will be operated together with Air China, which will stop using its own planes on the route. China Southern has so far only used the Airbus A380 domestically because of delays in getting regulatory approval for overseas routes.
- Extensions of four subway lines in Beijing scheduled to begin operations by the end of December will start trial runs without passengers this month. The extensions, to lines 6, 8, 9 and 10, add 70 kilometers to the capital's metro system, increasing its total length to 442 km.
- Beijing authorities will spend about CNY4.2 billion to expand 58 roads in downtown areas that are plagued by heavy traffic jams during morning and afternoon commutes.
- Construction is nearly finished on a high-speed rail line linking Nanjing, capital of Jiangsu, with Hangzhou, the capital of Zhejiang. The trip will take about an hour, with 11 stations along the way.
- Chinese airlines increased the fuel surcharges on routes longer than 800 kilometers to

CNY130 from CNY100, and passengers on shorter routes will pay CNY70, a rise from CNY50. The increase was sparked by the hike in the benchmark price of Singapore jet kerosene, according to the National Development and Reform Commission (NDRC).

- Hong Kong, Beijing and Hainan province's Sanya remain the most popular tourist destinations for online shoppers in China, according to a recent survey by Taobao, China's largest online marketplace. More than 200,000 people made reservations for hotels in Hong Kong through Taobao's travel platform between January and June. The most noteworthy finding was that people from different regions of China tend to have different purchasing habits when arranging their travel, such as the choice of hotels and the time of ticket bookings. Shanghai people for example preferred five-star hotels and booked their trips well in advance, while people from Guangdong cared less about their accommodation.
- Hu Tong Xing, a public transport card, which can be used in Shenzhen and in Hong Kong, was launched last week. It was co-developed by Octopus and its Shenzhen counterpart, Shenzhen Tong. The launch follows the release in July of the Octopus-Lingnan Pass, which can be used in Hong Kong and 16 cities in Guangdong. Both cards have two "e-purses", allowing users to top up with Hong Kong dollars in the city and yuan across the border. Dr Hung Wing-tat, Transport Analyst at Polytechnic University, said the card would be convenient for those who travelled frequently between the two cities.
- Tibet is expected to receive a record 10-million-plus tourists this year, earning revenue of CNY12 billion, equal to 17% of the region's GDP. More than 7 million domestic and foreign tourists visited Tibet from January to August, a year-on-year increase of more than 25%. Tourism revenue in the past eight months jumped 30% year-on-year to CNY7.5 billion. Foreigners and residents of Taiwan must obtain special permits through a local travel agent to enter Tibet. The process can take from two to 15 days.
- A decision to give about 4.1 million non-permanent Shenzhen residents easier access to Hong Kong will not be implemented until Hong Kong has examined its capacity to receive more visitors. Hong Kong Chief Executive Leung Chun-ying said that Shenzhen had agreed not to change its permit rules until the assessment was finished. The authorities named hotel accommodation, tourist attractions, immigration services and livelihoods of Sheung Shui residents as factors to be considered. People in the border town are troubled by the many parallel traders buying goods in the neighborhood and are worried that more would join the fray if the permit rules are relaxed.
- China Railway Group and China Railway Construction Corporation (CRCC), the two state-owned firms that build most of China's railways, anticipate increased spending for the rest of this year. The Ministry of Railways (MOR) would spend at least CNY67 billion a month for the rest of this year, a big increase from CNY27 billion a month from September to December last year. The accelerated expenditure is partly due to defective high-speed rail projects. Bidding activity by the Ministry was weak in the first half, with less than CNY10 billion of rail tenders, due to the Ministry's focus on resuming projects halted due to a lack of funding.
- China has approved 25 new subway projects with an investment of CNY800 billion, including five projects in Shanghai worth more than CNY16.79 billion. Second-tier cities such as Xiamen in Fujian province and Taiyuan in Shanxi province plan to build new metro lines while other cities are to build extensions to their existing urban rail systems. By 2020, 40 cities in China will have subways that run for more than 7,000 kilometers, 4.3 times the current length, according to the China Association of Metros.
- China will need 5,260 new commercial airliners valued at USD670 billion over the next 20 years, and 77% of the planes will be for growth instead of replacement, according to Boeing Co. But the company adjusted its forecasts of China's annual GDP increase in the next 20 years from last year's 7% to 6.5% this year, and the increase in annual average demand for air travel from 7.6% to 7% in this year's outlook. Small and intermediate twin-aisle airliners are expected to be the most popular market segment, making up 48% of the market in value, with 1,190 new deliveries anticipated.

VIP VISITS

Chinese President attends APEC Summit in Vladivostok

Chinese President Hu Jintao met in Beijing with U.S. Secretary of State Hillary Clinton and Singaporean Prime Minister Lee Hsien Loong, before traveling to Vladivostok to attend the APEC Summit. Vice President Xi Jinping canceled scheduled meeting with Clinton and Loong for unknown reasons. President Hu warned of a further slowdown in the Chinese economy and pledged to boost domestic demand to help counter the obstacles hindering a global recovery. “Economic growth is facing notable downward pressure,” Hu said at the Summit. “Some small and medium-sized companies are having a hard time and exporters are facing more difficulties. We have an arduous task of creating jobs for new entrants to the labor force.” China is boosting spending on infrastructure, including CNY800 billion in new subway and rail projects, as economic growth slows. Hu said China's economy was characterized by a “lack of balance, coordination and sustainability” and that it would promote “inclusive growth to improve people's lives”. Hu urged the Asia-Pacific to spearhead infrastructure development, remove obstacles to attracting investment and promote regional cooperation. Hu had bilateral meetings with several leaders including Vietnamese President Truong Tan Sang and Philippine President Benigno Aquino.

ONE-LINE NEWS

- Wang Lijun, Chongqing’s former Deputy Mayor and Director of the Municipality’s Public Security Bureau, has been charged with bending the law for selfish ends, defection, abuse of power and bribe-taking by the Chengdu People’s Procuratorate. He hit the news in February when he entered the U.S. Consulate in Chengdu without authorization and divulged the involvement of Gu Kailai, wife of former Chongqing Party Secretary Bo Xilai, in the murder of British businessman Neil Heywood. Gu was last month sentenced to death with a two year reprieve.
- Gaming revenue in Macao grew 5.5% last month over the same month last year to MOP26.14 billion (Macao Patacas), the highest for a single month this year and the second-highest ever. A recent note by Credit Suisse expected gaming revenue growth to be between 5% and 10% this month.
- Soybean-meal futures in China rose to a record level on concern that the worst U.S. drought in 56 years may cut oilseed supplies. Soybeans in Dalian, Liaoning province, climbed to the highest level since 2008 at CNY4,341 a metric ton.
- According to the Ministry of Health, by the end of last year there were 8,437 private hospitals, including joint ventures, in China compared with 13,542 public medical institutions. The majority of the private facilities were involved in providing specialist disease treatment, and were still relatively small. However, the private health sector is growing fast.
- Zong Qinghou, Chairman of China's third-largest beverage maker Wahaha, is now China's richest man, after he disclosed that his stake in closely held Hangzhou Wahaha Group is more than double previous estimates. The stake elevates Zong's net worth to USD21.6 billion, according to the Bloomberg Billionaires Index. He is now USD13.4 billion wealthier than Robin Li, founder of Baidu, China's biggest search engine. Zong ranks No 23 globally and trails only Hong Kong's Li Ka-shing and India's Mukesh Ambani in Asia.
- A Ningbo district court has seized the popular domain name of a heavily indebted IT company, the first time virtual property has been seized in Zhejiang. The firm faces claims totaling CNY2 million from at least six companies. The domain name will be auctioned off if it fails to repay its debts.

QUOTES OF THE WEEK

“There are mounting difficulties ahead for China to achieve the trade-growth target. The export situation proved much more pessimistic than previously expected.”

Li Jian, Researcher with the Ministry of Commerce’s Chinese Academy of International Trade and Economic Cooperation, quoted in the Shanghai Daily, September 10, 2012.

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China's Largest Trade Show register more buyer attendance

The 111th Canton Fair concluded early this May, attracted 210,000 buyers from 213 countries and regions. The buyer attendance increased 0.23% over the 110th session.

Though trade volume with Europe and USA went down, export deals with emerging markets such as India, Brazil, Russia and Africa displayed an encouraging 4.1% increase. The experience of those who visited the Fair was also overwhelmingly positive.

A first-time visitor to the Fair, Kristrian Holmqvist from Finland, said the Canton Fair "does provide better ideas on doing trade business and make us to be more competitive".

The 112th Canton Fair will be held from October 15th to November 4th in Guangzhou, China. For more information, please visit **http://www.cantonfair.org.cn**

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