法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 17 SEPTEMBER 2012

FCCC activities	Lunch seminar: EU Business in China: Position Paper 2012/2013 – 18 September 2012, 12h00 – Résidence Palace, Brussels
	EU-China Business Summit – 20 September 2012 – Brussels
	FCCC Meeting with high-level Weihai delegation (Shandong Province) – 24 September 2012, 13h30 – Ghent
	BICCS Seminars 2012-2013, organized in cooperation with the Flanders-China Chamber of Commerce – 4 and 5 October 2012 – Brussels
Other activities	University of Ghent China Lecture Café, starting on 25 September 2012, Ghent
	Agoria IPR China Seminar – 9 October 2012 – Brussels
Past events	Information session: Financial incentives and investment funds for doing business with China – 12 September 2012 – Brussels
Publications	Voices on China (more information on the FCCC website)
Members' news	Magnolia Silver Award for Jan Van der Borght
Finance	Growth of fiscal revenues slows
	CME and HKEx compete in deliverable futures for off-shore yuan
Foreign investment	More private Chinese companies to invest abroad
Foreign trade	China's exports up, but imports down
Macro-economy	Government to use fiscal surplus against economic downturn
	No quick policy easing to be expected
Mergers & acquisitions	Haier to take over New Zealand's Fisher & Paykel Appliances
	Invest Sweden expects more overseas M&As by Chinese companies
Petrochemicals	Energy projects dominate Sino-Arab economic forum
Real estate	Developers accelerating land parcel purchases
	Hong Kong developers earning more from mainland projects
Retail	Retail sales to rise 15% annually till 2015
Science & technology	Researcher in GM rice trial suspended
Stock markets	CSRC calls on state-owned enterprises to buy back shares

	QFII funds report losses
Travel	Market for elderly tourists to be developed
One-line news	
Advertisements	Hainan Airlines, your direct link from Belgium to China
	Canton Fair – Encouraging Growth at a Difficult Time

FCCC ACTIVITIES

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

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.

To register for the event, click here.

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

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”

Agoria IPR China Seminar – 9 October 2012 - Brussels

Agoria is organizing an IPR China Seminar on Tuesday 9 Oct 2010 at the Diamant Building in Brussels. Same as last year, we welcome all Belgian partners to join us for this event and we would be pleased to put your logo on the communication as long as you would agree to announce this event via your mailing list. The conference is to be held in cooperation with FPS Economy, S.M.E.s, Self-employed and Energy, FIT, Brussels Invest & Export, AWEX, BCECC, FCCC and EU China IPR SME Helpdesk.

This will be a full day event – a half day interactive seminar in the morning, a networking lunch, and an optional individual free advice session in the afternoon by the China IPR experts of the EU China IPR Helpdesk to each of the 12 first registered and individual advices requesting participating company. The conference will provide updated information on general IPR protection in China plus a focus on IPR protection during R&D work and software registration.

Speakers include Peter Demuynck, Director International Business, Agoria; Geoffrey Bailleux, Advisor, Legal & International Affairs Dept, Belgian Intellectual Property Office, FPS Economy, S.M.E.s, Self-employed and Energy; Wawrzyniec Perschke, IPR Team Leader, Industrial Competitiveness Policy Unit, DG Enterprises, European Commission; Gwenn Sonck, Executive Director, FCCC; Laurent Verbiest, Attaché Asia Desk, Brussels Invest & Export; European Commission IPR China SME Helpdesk Experts Simon Cheetham and Bertram Huber; Geert Defieuw, Director Intellectual Property & Education, Umicore; and Didier Leboutte, Development Manager, CMI. The Q&A will be moderated by Yizhen Wang, Manager Asia, International Business, Agoria; and closing remarks will be offered by René Branders, CEO, FIB Belgium.

Registration via email to evelyne.vandurme@agoria.be by Friday, 28 Sept 2012 at the latest.

PAST EVENTS

Information session: Financial incentives and investment funds for doing business with China – 12 September 2012 – Brussels

On 12 September, the Flanders-China Chamber of Commerce and Flanders Investment & Trade organized an information session focused on financial incentives and investment funds for doing business with China. The session presented a view on investment funds available and which financial incentives are being offered. This seminar focused both on Flemish companies wishing to expand in China and Chinese companies investing in Belgium.

MrsClaire Tillekaerts, CEO, Flanders Investment & Trade, welcomed the participants and also shared information on trade between Flanders and China. Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, introduced the guest speakers. The first speaker, Mr Rik Daems, Senator, Chairman China-Belgium Investment Fund, gave a better understanding on the different investment vehicles related to China and the “Mirror” fund which addresses Chinese companies interested to invest in Belgium or in Europe. The second presentation delivered by Roald Borré, Business Manager, Investment Fund TINA, PMV, was focused on the TINA-fund, at which both Flemish and Chinese companies can apply for. After that, a presentation on “Financial Support to companies” was delivered by Yves Roekens, Head of financial incentives, Flanders Investment & Trade.

The presentations were followed by a question and answer session and a networking cocktail.

95 participants attended this interesting activity.

More information and a copy of the presentations can be obtained at: info@flanders-china.be.

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

Magnolia Silver Award for Jan Van der Borght

Jan Van der Borght of EurBridge in Shanghai received the Magnolia Award certificate and medal of Shanghai Municipality. He was one of 58 expatriates who received the award this year. Jan Van der Borght operates a consultancy business, services centers in Shanghai and Beijing and acts as Representative of the Port of Antwerp in China.

58 expatriates from 17 countries were awarded the Magnolia Silver Award by the Shanghai municipal government for their outstanding contributions to the city's development. Li Mingjun, Director of the Shanghai Foreign Affairs Office, gave them a certificate and a medal. Shanghai began presenting the Magnolia Awards in 1989, and a total of 856 expats have received the reward over the past 24 years.

FINANCE

Growth of fiscal revenues slows

China's fiscal revenues grew 4.2% annually to CNY786.3 billion in August, the Ministry of Finance said. The country’s central fiscal revenue dropped 6.7% annually to CNY376.5 billion last month, while that of local governments rose 16.8% to CNY409.8 billion. During the first eight months, China’s fiscal revenues grew by 10.8% from a year earlier to CNY8.23 trillion. The growth rate shed 20.1 percentage points from the same period last year. The Ministry attributed the slower growth to the slowing economy, falling prices and structural tax reductions. Tax revenues nationwide rose 8.9% annually to CNY7.06 trillion in the first eight months, accounting for 85.78% of the nation’s total fiscal revenues. In August, revenues from value-added taxes dropped 8.5% year on year to CNY179.3 billion. The statement from the Ministry of Finance attributed the decline to a slowdown in industrial growth, increasing moderation of factory prices and structural tax cuts. Business tax revenues increased 15.2% to CNY108.2 billion last month, as business tax from the financial sector jumped 38.5% and that of the property sector rose 21% on rising sales. Corporate income taxes surged 47.2% annually to CNY72.9 billion last month, the Shanghai Daily reports.

CME and HKEx compete in deliverable futures for off-shore yuan

Chicago-based CME Group, owner of the world's biggest futures exchange, will introduce deliverable futures for off-shore yuan in the fourth quarter as growing use of the currency in world trade fuels demand for hedging tools. The move will put it up against Hong Kong Exchanges and Clearing (HKEx), the second-largest bourse operator by market value, which has announced plans to make similar contracts available from September 17. The People's Bank of China (PBOC) estimated yuan trade settlement jumped as much as 80% in the first five months of the year, boosting the need for instruments to limit risk from exchange-rate fluctuations. HKEx set the standard contract size for off-shore yuan futures at USD100,000 each with tenures of up to one year. CME would have similar-sized contracts of up to three years and USD10,000 futures with maturities of no more than 12 months. Both types would be available in Asia, the United States and Europe. Yuan liquidity in Hong Kong, which includes deposits and certificates of deposits, is likely to approach CNY1 trillion this year, rising to CNY3.2 trillion by 2015, Donna Kwok, Economist at HSBC Holdings, wrote in a note.

- Construction machinery manufacturer Sany Heavy Industry Co is asking to waive the financial covenants on its existing loans. The company has a USD160 million three-year onshore loan from June this year, and a USD350 million three-year offshore loan from August last year. Parent firm Sany Group Co has a USD200 million three-year offshore loan from May this year and a USD175.5 million three-year offshore loan from March last year. Last year's loan had a full guarantee by the Export-Import Bank of China. Sany Heavy missed forecasts with a 28% fall in second-quarter net profit, its biggest quarterly profit drop since 2008.
- China said its capital-account deficit last quarter was 42% narrower than initially estimated, signaling outflows of funds were less severe than the previous figures suggested. The State Administration of Foreign Exchange (SAFE) revised its estimate of the capital-account gap to USD41.2 billion, compared with the initial USD71.4 billion published on July 31. The agency said the current-account surplus was USD53.7 billion, down from the previous figure of USD59.7 billion. SAFE did not give an explanation for the revisions.
- China's publicly traded industrial companies are facing a sharp rise in unpaid bills as economic growth slows. Balance sheets from 284 non-financial companies that belong to either the CSI 300 Index or the Hang Seng Index show accounts receivable rose by about 20% between December and June.
- China's syndicated loan market needs a liberalized floating rate as its lending interest rate, instead of the relatively fixed rate set by the People's Bank of China (PBOC), said Tang Maoheng, Chief Product Specialist at Bank of China in Beijing. Shibor, or the Shanghai interbank offered rate, is the best candidate for a market-based lending rate to respond to the widening gap between the country's borrowing base rate and lending base rate, Tang said.
- China Citic Bank has named Zhu Xiaohuang, a 56-year-old former Director and Vice President of China Construction Bank (CCB), as its new President. Zhu replaces Chen Xiaoxian, who was elected Executive Vice Chairman of the Board.
- China's new lending was the highest of any August on record as the country revved up efforts to bolster the slowing economy. Chinese banks granted CNY703.9 billion in loans in August, CNY163.8 billion more than in July and CNY155.5 billion more than a year ago, the People's Bank of China (PBOC) said. "The better-than-expected data showed that the country has indeed stepped up support to lending," said Li Huiyong, Chief Analyst of Shenyin and Wanguo Securities Co. E Yongjian, Economist at the Bank of Communications (BoCom), said total bank lending this year may amount to CNY8-8.5 trillion. He added that the PBOC may still cut the reserve requirement ratio (RRR) one to three times this year to replenish liquidity.
- The central government would soon release a five-year plan on financial reform for 2011-15, according to Pan Gongsheng, Deputy Governor of the People's Bank of China (PBOC). The plans would include marketization of interest rates, liberalization of exchange rates and the internationalization of the yuan. The reform plan also would touch on areas such as reforms of direct and indirect financing in the country's financial structure and the development of micro financial organizations.
- GE Asset Management, which oversees several pension funds for employees of its parent company General Electric, as well as GE clients' money, is considering closing its Shanghai office, after several key staff resigned last month, including Zhou Ping, Managing Director for Greater China. Behind the departures are two problems, analysts said: relatively lower incentives for local fund managers working for global asset management firms compared with their counterparts on Wall Street, and the impatience of head offices in New York or London over the slow recovery of the mainland and Hong Kong markets. GE Asset Management was one of the first to win a license from Beijing under the qualified foreign institutional investor (QFII) program.
- China could make a "significant breakthrough" in liberalizing the capital account by 2015 if the international economic conditions are normal, said Dai Xianglong, current Chairman of the National Social Security Fund (NSSF) and People's Bank of China (PBOC) Governor between 1995 and 2002. Dai said that China should increase the quota allocated to qualified foreign institutional investors, expand yuan settlement, and raise the limit on the amount of shares foreign investors can hold in a single company.
- Dubai-headquartered Emirates NBD bank has opened its first office in China as trade between the United Arab Emirates (UAE) and China continues to grow.

- China will achieve basic balance in its external payments in the second half of 2012, with fluctuations in two-way capital flows becoming more frequent as the yuan nears its equilibrium level, the State Administration of Foreign Exchange (SAFE) said. China swung into a capital and financial account deficit in the second quarter of USD41.2 billion, after a surplus of USD56.1 billion in the first quarter and a deficit of USD29 billion in the fourth quarter of 2011. The capital and financial account surplus stood at USD14.9 billion in the first six months of 2012, SAFE said.

FOREIGN INVESTMENT

More private Chinese companies to invest abroad

At the end of the year, 18,000 Chinese firms had invested in 177 countries with a cumulative investment of USD424.78 billion and assets totaling USD2 trillion. “Chinese private companies, due to their special advantage of being flexible and ability to break into markets, are gradually becoming a major force in China's going out strategy,” said National Development and Reform Commission (NDRC) Vice Chairman Zhang Xiaoqiang. Private firms would be encouraged to invest in infrastructure, oil, gas, and even military industries overseas, which are currently dominated by SOEs.

- China Development Bank (CDB) is seeking opportunities to invest in European companies that have products, brands and technologies China lacks, Chief Investment Officer Zhang Xuguang said. “We're more supportive of companies that serve China's real economy, such as those with products, know-how and brands that China needs.” He said the bank was avoiding European financial companies.
- China is offering Nigeria USD1.1 billion in loans to help the country build airport terminals, a light rail line in the capital Abuja and communication system improvements.
- Unilever has signed an agreement to build a CNY300 million manufacturing facility in Sichuan province. The first phase of the 266,800 square-meter facility will enable Unilever to manufacture its full range of products. It will be the company's third plant in China as Unilever strives to achieve a five-fold increase in its China business by 2020. Its two other plants are in Hefei, Anhui province, and Tianjin. Unilever’s China sales rose 11% in the first half of this year.
- China has launched a new state-level development zone in Guangdong province. As the country’s sixth state-level New Area, the Nansha New Area is expected to get national support from a series of preferential policies and innovation reforms on tax policy, land management, finance and industrial development. Nansha has a total area of 803 square kilometers, with a land area of 570 sq km, and water area of 233 sq km.
- Merck & Co and Simcere Pharmaceutical Group announced the official launch of their joint venture. Initially, the new company will concentrate on medicines to cure chronic diseases because of their growth in China. Over 260 million people are diagnosed with chronic disease, and 2 million people die from cardio-vascular and cerebro-vascular diseases each year in China.

FOREIGN TRADE

China's exports up, but imports down

China's exports recovered slightly last month but imports recorded their first loss since January. Exports grew 2.7% from a year earlier to USD177.9 billion in August, up from July’s 1% rise, the General Administration of Customs (GAC) said. Imports, however, fell 2.6% to USD151.3 billion, a sharp fall from July’s 4.7% growth and June’s 6.3% increase. They left a trade surplus of USD26.6 billion last month, compared with July’s USD25.1 billion and June’s USD37.1 billion. “The sudden deceleration in imports was hardly expected,” said Xue Jun, Analyst at CITIC Securities Co. “It points to steeply weakening domestic demand in China, as no new monetary stimuli have been launched since July.” Lu Zhengwei, Chief Economist at Industrial Bank, said: “Although exports stage a rebound, it is much weaker than expected and exports may fluctuate because there is little fundamental improvement in the European debt crisis.” Zhou Hao, Australia and New Zealand Banking Group Economist, called on the government to roll out new supportive policies to stabilize growth. “To offset the external weakness, policymakers will have to stimulate domestic demand so as to maintain the growth momentum," he said. He added that one more cut in the reserve requirement ratio (RRR) was necessary to boost liquidity in the banking system and cushion the economic slowdown.

However, rebounding inflation may become an obstacle. The Consumer Price Index (CPI) ended a streak of four straight months' decline in August by expanding 2%, up from July's increase of 1.8%. Also, growth in factory production hit a three-year low and fixed-asset investment (FAI) continued to falter. It is therefore becoming increasingly difficult for China to fulfill its goal of 10% trade growth this year. In the first eight months, China's trade rose 6.2% year-on-year to USD2.49 trillion, Customs data showed. The surplus has accumulated to USD120.6 billion in the months to August, up 31.8% from a year earlier. But a report by Bank of Communications (BoCom) last month estimates a total trade surplus of around USD150 billion this year, less than 2011's USD155.1 due to the dismal exports outlook. Declining foreign trade also leaves little room for the yuan to appreciate further. China's trade with the EU fell 1.9% year on year to USD365 billion in January-August, while deals with the U.S. gained 9.6% to USD312 billion. Demand in emerging markets continued to be relatively strong as Russia and Brazil reported their trade with China increased 14.9% and 6.3%, the Shanghai Daily reports.

- The 16th China International Fair for Investment and Trade (CIFIT), held from September 8 till 11 in Xiamen, Fujian province, attracted more than 15,000 overseas investors from 120 countries and regions. Organizers expanded the exhibition floor space to a record 100,000 square meters from 65,000 sq m last year. Hebei was the province of honor at the fair, and was seeking capital to fund 150 key provincial-level projects with a total investment of USD49 billion.
- China and Canada signed the Canada-China Foreign Investment Promotion and Protection Agreement as President Hu Jintao met with Canada's Prime Minister Stephen Harper on the final day of the Asia-Pacific Economic Cooperation forum in Vladivostok. The meeting came at a key time as Harper's government reviews China National Offshore Oil Corp's USD15.1 billion takeover of Nexen, a Calgary-based oil and gas producer. China has already invested heavily in Canada's natural resources sector. If successful, the deal would be China's largest-ever overseas acquisition.
- The International Sourcing Park that is being built in Shanghai's Putuo district will become a hub for global trading companies, the Shanghai Commission of Commerce said. Covering 38,365 square meters, the park will boast a main exhibition center, two business buildings and some underground facilities that global traders will be able to use for their sourcing needs. The 11th International Sourcing Fair was held at ShanghaiMart last week.
- China should build a "direct purchase type of distribution platform" for foreign brands, so high-grade imported goods can smoothly enter the mainland and lower prices, said Wang Shouwen, Director of the Department of Foreign Trade at the Ministry of Commerce (MOFCOM). With a direct-purchase distribution platform, producers sell their products directly to consumers without middlemen, cutting the cost of high-value products. Many overseas brands have monopolistic intermediate suppliers who largely determine prices. Luxury goods in China cost on average 70% more than in France, 50% more than in the United States and 45% more than in Hong Kong.
- China will return export tax rebates faster, grant more loans to exporters and expand export credit insurance coverage to small businesses, following a government meeting chaired by Premier Wen Jiabao. A statement issued after the meeting promised further cuts in red tape, making it more convenient and less expensive for traders to do business. Foreign trade increased only 6.2% in the first eight months, compared with this year's 10% target.

MACRO-ECONOMY

Government to use fiscal surplus against economic downturn

Premier Wen Jiabao pledged for the first time to tap into the government's fiscal surplus as well as a fiscal stability fund of more than CNY100 billion as needed to stem an economic downturn. Wen also used his last appearance before retirement at the World Economic Forum (WEF) in Tianjin, his hometown, to review the political legacy of the past decade, and robustly defended the CNY4 trillion stimulus package introduced during the global crisis. Wen said China's economic development had "slowed but stabilized". "We have ample strength in either monetary or fiscal [resources]", Wen said. The Premier outlined a host of policy measures taken by the government since May, including stepping up structural tax cuts, lowering the reserve requirement ratio (RRR), cutting the benchmark deposit and lending rates twice, supporting enterprises undertaking technological upgrading, and actively expanding imports. "All these measures have helped boost market confidence and promote steady economic growth," said Wen.The government's trillion-yuan fiscal surplus, together with the fiscal-stability fund, would be used as "pre-emptive and fine-tuning steps at appropriate times". Wen Jiabao defended stimulus packages rolled out during the global crisis: "I want to seriously state that it was only because of our resolute decision … we were able to prevent business closures, workers' job losses, and the return of migrant workers to the countryside." He said the progress made during the past decade had been "tremendous" in areas including boosting economic output, improving people's livelihoods, boosting farmers' income and reforming state-owned sectors. Finally, he called on all countries to work together to tackle the economic challenges. The three-day WEF forum, "Creating the Future Economy," attracted about 1,610 delegates from around the world.

No quick policy easing to be expected

China may ease policy soon to shore up its cooling economy but analysts say investors who bet on quick action from the People's Bank of China (PBOC) could be disappointed. The best markets could hope for would be a further cut in banks' reserve requirement ratio (RRR), but the odds against such an imminent move or even an outright interest rate reduction are high as a recent flare-up in property and consumer inflation overshadows the urgency of policy easing. The country's economy will slow further in the third quarter but regain some momentum late in the year as the impact of earlier policy easing fully kicks in, according to a poll of economists. Still, even if activity rebounds modestly in the fourth quarter, it will drag full-year economic growth to below 8%, a level not seen since 1999. The central bank needs to tread carefully amid signs that its earlier policy easing has fanned property price rises that have triggered public anxiety. That is probably why the PBOC has so far defied expectations for more aggressive moves since its last interest rate cut in July. Instead, it is opting to use reverse repos to inject short-term money into the banking system. "The key dilemma for policymakers is that inflation looks like it will pick up earlier than expected, with growth recovery coming later than expected," said Huang Yiping, Chief Economist for emerging Asia at Barclays Capital. The PBOC may keep policy settings unchanged until the fourth quarter, when growth may stabilize or even recover. "We don't expect any major changes in macro-economic policy in the run-up to the 18th Communist Party Congress and the fundamental tone for monetary policy remains prudent," said Wang Jun, Senior Economist at the China Center for International Economic Exchanges. Under the banner of policy "fine-tuning", the central bank cut interest rates twice in June and July and lowered banks' RRR three times since late last year, freeing an estimated CNY1.2 trillion for boosting loans, the South China Morning Post reports.

- More than half of all foreigners legally working in China have subscribed to the country's social security system so far and efforts are ongoing to expand coverage by making it more practical. More than 120,000 expats are now covered since China started offering cover to foreigners late last year. The social insurance scheme, which took effect last October, allows foreigners to receive the same retirement, unemployment, medical, work injury and maternity benefits as Chinese citizens. But there is a lack of clear guidelines on how some long-term accounts, such as for pensions and unemployment insurance, will be paid back to foreigners who leave their jobs and return home.
- Annual economic growth will reach between 7.7% and 7.8% this year and begin to stabilize as pro-growth policies gain traction, Fan Jianping, Chief Economist at the State Information Center, said. The pace of growth this year would be above the government's target of 7.5%, but policy makers face a dilemma due to concerns about property inflation, Fan added. "It will be a bit difficult to strike a balance this time," Fan said.
- By the end of last year, China had 9.68 million private companies, with a registered capital of CNY25.79 trillion and 104 million employees – more than 75% of the urban workforce, and contributing 45% of the nation's tax revenue. Proponents of private enterprises are calling for better access to financing and the breaking up of state monopolies, so private companies could enter until now restricted sectors of the economy, such as telecommunications, railways and oil exploration.

- Xin Changxing, Vice Minister of Human Resources and Social Security, pledged stricter supervision of enterprises' labor management, following reports of abuses at Chinese sub-contractors for Samsung Group and Apple. The Ministry would also encourage enterprises to improve their labor management, provide humane care for workers and improve working conditions. Samsung had admitted that employees worked longer than the law permits in Huizhou-based HEG Electronics. However, the company denied the accusation of U.S.-based China Labor Watch that the company was exploiting child laborers.
- The growth of newly created jobs has been decelerating since April, especially in the more developed regions. Labor demand and the number of job seekers are declining in more than 100 labor markets in China, according to a survey. "These are all indicators of the economic slowdown, and worthy of further attention," said Xin Changxing, Vice Minister of Human Resources and Social Security.
- Power consumption in China last month rose the least since February as slowing production and investment growth curbed demand. The National Energy Administration (NEA) said China consumed 3.6% more electricity, slowing from July's 4.5% and sharply below the 9.1% gain a year earlier. In the first eight months, power consumption rose 5.1%, against 11.9% growth in the same period last year. Joy Yang, Chief Economist for greater China at Mirae Asset Securities, said slowing growth in electricity usage showed the economic downturn would continue. Monthly power consumption growth has stayed in single digits so far this year, except for a 22.9% jump in February, which was distorted by the Lunar New Year holiday.
- The National Bureau of Statistics (NBS) said that the state sector accounted for 28.8% of China's fixed-asset investment (FAI) last year, down from 43.4% a decade ago. State-owned enterprises (SOEs) accounted for 26.2% of total output. SOEs' shares of the coal, power, oil, gas, water and transportation equipment sectors ranged from 40% to 95% last year. Professor Xu Chenggang, University of Hong Kong Economist, said a government policy rolled out in recent years to retain state control over certain strategic industries had further consolidated the state's monopolistic powers.
- Research house Capital Economics has calculated that urban residential real estate investment made up 8.5% of China's gross domestic product (GDP) last year. Other estimates put the figure at 10%. Investment in housing makes up a sizable chunk of the economy, and in recent years has contributed significantly to GDP growth. Decreasing real estate investment is therefore responsible to a significant extent for the slowdown in economic growth. Capital Economics estimated that the decline in investment knocked 2.2 percentage points off China's second quarter growth rate.

MERGERS & ACQUISITIONS

Haier to take over New Zealand's Fisher & Paykel Appliances

Home appliance producer Haier has launched a full USD704 million takeover offer for smaller New Zealand competitor Fisher & Paykel Appliances. Haier already owns 20% of Fisher & Paykel, which also makes home appliances, including stoves, refrigerators, washing machines and dishwashers. The 78-year-old New Zealand company was hailed locally for decades as a success story, although it has struggled in recent years against tough market conditions and a high New Zealand dollar. The takeover is contingent on Haier gaining a controlling 50% stake and clearing regulatory hurdles. Liang Haishan, Director of Haier's New Zealand branch, said in a statement that Haier had reached a lock-up agreement with Allan Gray Australia, the next largest shareholder after Haier, for its 17.46% stake, leaving Haier less than 13% short of a controlling stake. Ji Min, Home Appliance Analyst with China Merchants Securities, said that acquiring an internationally recognized brand was "the best and quickest way for a Chinese manufacturer to tap the high-end market". Fisher & Paykel's independent board of directors, which excludes the two directors associated with Haier, would recommend that shareholders take no action until it carried out an assessment of the offer with an independent adviser.

Invest Sweden expects more overseas M&As by Chinese companies

The slowdown in China's overseas investment growth and some reported losses will not affect the pace and confidence of domestic companies going global, and the nation's investors will eventually reach their goals in developed markets, said Eddie Chen, Vice President of Invest Sweden. "This decade we will see massive overseas mergers and acquisitions by Chinese enterprises." Chen has been involved in more than 100 overseas acquisitions. In his view, many domestic enterprises have the needed complexity and professional level, and the volatile international economic climate presents tremendous opportunities for companies with strategic vision. "The Chinese enterprises' overseas investment will still focus on developed countries and we will see a number of cross-border investors," said Chen. China's Ministry of Commerce (MOFCOM) said the country's ODI flows in 2011 reached USD74.65 billion, 27.6 times the level of 2002, but the growth rate dropped to 8.5%, well below the average from 2002 to 2011. China's global ODI rank also fell slightly, from 5th in 2010 to 6th in 2011. The Ministry added that 77.6% of non-financial enterprises registered a profit in their overseas businesses, while 22.4% reported losses. "If the acquisition in developed countries by Chinese enterprises was only predicted in the last two or three years, it has become a reality now," Chen said, as reported by the China Daily.

- China's solid long-term fundamentals will sustain a high level of outbound activities for the years to come. The country will buy more in the consumer and manufacturing sectors to feed demand in the country, legal advisory service provider Squire Sanders said in its China Outbound Mergers & Acquisitions report. China's rise is demonstrated quite clearly in its outbound M&A activities over the past several years, said William Downs, Partner of Squire Sanders, as the total value of outbound M&A transactions rose nearly five-fold from 2005 to USD63.1 billion in 2011.
- Chinese companies buying up assets in Europe and the U.S., from metal markets to cereal companies, are driving a 56% increase this year in acquisition-related lending in Asia. About USD2.8 billion of loans used to fund purchases of corporate stakes has been signed so far this year.

PETROCHEMICALS

Energy projects dominate Sino-Arab economic forum

Oil and gas deals comprise over a third of the value of 124 agreements worth CNY218.7 billion signed at the five-day Sino-Arab economic forum in Ningxia despite Beijing's push to diversify trade. Forty-four projects worth CNY77.1 billion relate to the oil and petrochemical business. Fifteen new energy projects, worth CNY52.1 billion, were agreed. The remainder involved logistics, machinery production and agricultural businesses. The forum, now in its third year, has been increasingly fruitful. In 2010, projects worth CNY203.6 billion were signed, compared to CNY208.7 billion last year. Amid weak demand from developed countries, the Chinese government is trying to further open up Arab markets. Beijing has designated the Ningxia Hui Autonomous Region as a national platform for promoting trade and economic ties with Arab nations, as it is a trade hub on the historical Silk Road and home to more than two million Muslims. At the forum's opening ceremony, Vice Premier Li Keqiang said: "China aims to further open its economy westward. We attach equal importance to opening up to developed and emerging countries." Trade between China and Arab nations reached USD195.9 billion last year, up 34.7% from 2010, according to the Ministry of Commerce (MOFCOM). The nations involved want the figure to top USD300 billion in 2014. China is also seeking collaboration with Arab countries in areas such as manufacturing, logistics, maritime business, metallurgy, agriculture, and new forms of energy.

- China has raised fuel prices by more than 6%, the fourth increase this year, in response to higher international crude oil prices. Gasoline goes up by CNY550 a ton and diesel by CNY540 a ton, the National Development and Reform Commission (NDRC), which sets energy prices in China, said. That represents average increases of 6.1% and 6.5% respectively. Fuel prices vary among provinces. Higher fuel rates would help oil firms Sinopec and PetroChina, which both incurred huge losses in their refining business in the first half due to price regulation. The price rises are not expected to have a big effect on the Consumer Price Index (CPI). China raised fuel prices in February and March, and cut prices in May, June and July.
- China's petrol output rose to a record last month as vehicle sales increased. Production climbed 5.8% from a year earlier to 7.47 million tons, the China Federation of Logistics and Purchasing (CFLP) said. Passenger vehicle deliveries rose 8% to 9.95 million units in the first eight months of the year.
- China Gas shareholders approved the reappointment of Liu Minghui as Managing

Director and President and Huang Yong as Executive President after Shenzhen police decided not to prosecute them on allegations of embezzlement for lack of evidence. Eric Leung was reappointed Deputy Managing Director and Chief Financial Officer.

REAL ESTATE

Developers accelerating land parcel purchases

China's major property developers are accelerating purchases of land parcels due to the recovery in the real estate market, at a time when local governments are eager to boost revenues. Seven major real estate developers bought land parcels worth CNY8.87 billion in first- and second-tier cities from September 5 to 7. Yu Liang, President of China Vanke, said that the company is thinking about investment returns, and that if appropriate opportunities come up, it will go for them whether they are in first- or second-tier cities. Other major property developers are following suit. They are now more optimistic about the market, said Zhang Dawei, head of the Research Department at Hong Kong-based Centaline. China's property market has been recovering. The country's real estate development index, a key barometer of the country's property market, saw a small rebound in August after sliding 14 months in a row, according to the National Bureau of Statistics (NBS). The index stood at 94.64 in August, up 0.07 percentage points compared with July. "Though the index is still below 100, which means that the market is still bearish, the rebound indicates that the worst time for property developers is over," said Chang Qing, an analyst at Homelink, a Beijing-based real estate consultancy. Property investment for the first eight months of the year was about CNY4.37 trillion, up 15.6% compared with the same period last year, the NBS said. Local governments are also stepping up efforts to launch more quality parcels in the market, the China Daily reports.

Hong Kong developers earning more from mainland projects

Hong Kong developers' earnings from their mainland projects have started taking off, and the profit contribution from these sources will continue to grow, according to analysts. In the half-year reporting season just ended, local developers reported solid interim earnings, with some posting profit growth of up to 40%. The results were boosted by high average selling prices across the board, with the revenue finally rolling into the developers' bottom line. "Hong Kong property companies have scaled up their China investments since about 2004, and we believe one clear message from their latest results is that their China earnings have finally started to come through," said Jonas Kan, Senior Vice President of Daiwa Capital Markets in Hong Kong. Hang Lung Properties still has the largest proportion of its earnings coming from the mainland, with 50% of its gross rental income coming from across the border. Cheung Kong and Wharf were the stars of the latest reporting season, posting strong mainland earnings in the first half, said Alfred Lau, Property Analyst at Bocom International. Although Cheung Kong disappointed shareholders with an interim net profit that plunged 54% to HKD15.45 billion, a silver lining to the result was the pre-tax property sales profit of HKD2.6 billion from the mainland, up 114% from the first half of 2011. Wharf also posted strong growth in income from its mainland sales, which were up by more than 300% to HKD2.42 billion in the first half. Rental income from its mainland investments was up 51% to HKD479 million. Sun Hung Kai Properties reported a jump of 38.4% in net rental income to HKD1.1 billion on the back of a larger portfolio on the mainland, but property sales dropped 58.4% to HKD411 million, according to Daiwa. Jonas Kan said Hong Kong companies had finally started to harvest their mainland earnings and he believed commercial properties would be their strongest contributors, the South China Morning Post reports.

- China invested CNY820 billion in building affordable housing units for low-income groups in the first eight months of this year, the Ministry of Housing and Urban-Rural Development said. Local governments across the country have started building 6.5 million government-subsidized housing units from January to August, up from 5.8 million units in the first seven months of the year, as part of its five-year plan to build 36 million such units by 2015. Construction on 4.2 million affordable housing units was completed in the January-August period.
- China's real estate development index rebounded slightly in August after sliding 14 months in a row, the National Bureau of Statistics (NBS) said. The index stood at 94.64 last month, up 0.07 points compared with July. Though it is still below 100, which means the market is still bearish, the rebound indicates that the worst time for

property developers is over, said Chang Qing, Analyst at Homelink, a real estate consultancy in Beijing. Property investment for the first eight months of the year was 4.37 trillion, up 15.6% compared with the same period last year.

- Big Chinese banks have cancelled their discounts on first mortgage lending rates of as much as 15%, dashing developers' hopes of strong home sales for this month and next, traditionally a peak period for housing sales. The market has seen a recovery in sales since May, driven by strong real demand and nationwide interest rate cuts. As a result, housing stocks in the four first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen fell to 8 to 12 months.

RETAIL

Retail sales to rise 15% annually till 2015

China seeks to boost retail sales by 15% annually to 2015 to encourage domestic consumption to power the economy, according to the 12th Five Year (2011-2015) Plan for the development of domestic trade. Retail sales are expected to rise to CNY32 trillion in 2015 from CNY15.7 trillion in 2010. The plan also identifies e-commerce as an important sector to accelerate retail sales. The transaction value of the online business is set to grow at more than 30% annually to CNY18 trillion in 2015 from CNY4.5 trillion in 2010. In the first eight months of this year, China's retail sales grew 14.1%, down from last year's 17.1% rise. The plan will also create 130 million jobs in the domestic trade sector in 2015, up from 103 million in 2010.

- China's Bankcard Consumer Confidence Index in August shed 0.5 from that in July but was flat from a year earlier at 86.21, according a report released by China UnionPay. Consumers spent less due to a sluggish stock market and rising property prices, the report said, adding that expenditure on home appliances such as air conditioners and cars also shrank last month. The only bright spot was spending at supermarkets, which rose 3.53% from a month earlier as consumers bought more daily necessities.
- China takes a lion share in the retail projects under construction in Asia, remaining the most popular entry point for international retailers. Of the 27.87 million square meters of retail projects under construction in Asia, 82.4% are in China, according to a report on the shopping center industry by U.S. real estate services company Cushman & Wakefield. "While the China shopping center market in some ways is still in its infancy, it is growing fast. There is still strong demand from a range of fast-growing retailers and very high levels of development activity," said James Hawkey, Cushman & Wakefield's Executive Director in China.
- Alliance Boots, the owner of Europe's largest pharmacy chain, will buy a 12% stake in China's Nanjing Pharmaceutical for about GBP56 million. The deal, initially announced more than a year ago, would strengthen Alliance Boots' ties with China's government and regulators, Alliance Boots Executive Chairman Stefano Pessina said.
- Companies and individuals who illegally collect and process swill oil will face fines of up to CNY100,000 under new regulations. Restaurants that sell used oil to illegal collectors will face fines of up to CNY50,000 under a draft law. Restaurants will be required to install waste oil storage facilities and separate swill oil from other kitchen waste.
- China's catering industry has seen a 3 percentage point drop in profits this year, to its lowest growth rate in nine years. Su Qiucheng, President of the China Cuisine Association, told delegates at the China Catering Industry Leading Entrepreneur Summit in Beijing that profit growth fell to 13.1% during the first half of the year. Taxes, rent, and the costs of raw materials and labor are all rising, as the businesses' profits continue to fall, Su said. The average costs of ingredients last year rose 14.63% compared with two years ago, leading to a 5% decrease in gross profits.
- Sports brand Li Ning Co has closed its only shop in Hong Kong to focus on its mainland business. Challenges in management, consumer demand and dominance from established international brands have all hindered the development of the company in overseas markets. The pullout comes amid declining profits and lackluster performance at home.

SCIENCE & TECHNOLOGY

Researcher in GM rice trial suspended

The Chinese Center for Disease Control (CDC) has suspended Researcher Yin Shi'an, who had made contradictory statements during an inquiry into a controversial genetically modified rice trial. Several people involved denied knowing that rice fed to school pupils had been genetically altered. Dr Yin would face further investigation by the Center's Scientific Ethics Review Committee. The CDC also demanded that the lead researcher, Dr Tang Guangwen from Boston's Tufts University, produce a detailed explanation of the study and all documents relevant to the rice trials conducted in Hengyang, Hunan province, in 2008. The study was trying to determine whether beta-carotene-infused “golden rice” could boost vitamin A levels in children. The Hengyang study involved three study groups, with one fed spinach, another fed beta-carotene-rich oil capsules, and the third – made up of 23 pupils – fed 60 grams of golden rice daily. Yin told investigators he was responsible for the Hengyang trials but was unaware golden rice was used, CDC said.

- Professor Shi Yuanwu from the School of Art and Design at the Hubei University of Technology, who won Germany's Red Dot Award for Design Concepts for designing a unique raft that can be used in water rescues, has been suspended by his university for plagiarizing the work of one of his students.

STOCK MARKETS

CSRC calls on state-owned enterprises to buy back shares

Officials at the China Securities Regulatory Commission (CSRC) have met with representatives of more than 10 major state-owned companies, including Baoshan Iron and Steel Co, China Petroleum & Chemical Corp, PetroChina Co, and China Shenhua Energy Co, asking them to buy back their own shares to help stabilize the securities and futures markets and boost investor confidence prior to the 18th National Congress of the Communist Party of China (CPC) to be held later this year. Securities Times figures show that the price-to-book ratios of 78 companies have dropped to below one last month, indicating shares are being traded below book value. That list includes blue chips such as China Railway Construction Co, and carmaker FAW Haima Automobile Co. Some major public companies have already launched share buybacks. On August 27, the share price of Shanghai-based Baoshan Iron and Steel, China’s biggest steelmaker, surged after it announced a buyback plan worth CNY5 billion to buy 1 billion of its shares. High-speed train maker CSR Corp Ltd also announced a buyback of 471,000 shares on August 29.

QFII funds report losses

Qualified Foreign Institutional Investors (QFII) funds reported a 5.65% decline in August and a 6.12% loss for the first eight months of this year, according to the latest figures compiled by Lipper, a unit of Thomson Reuters. Foreign institutional investors in China can only invest in domestic stocks and bonds through two QFII schemes that operate under quota systems. The U.S. dollar QFII was launched in 2002. In April, the quota was raised to USD80 billion from USD30 billion and the approval of licenses was sped up to increase the number of participants. There are now 181 international banks and insurers, up from about 140 at the end of last year. Also in April, Beijing lifted the total quota of the yuan-denominated QFII program, which was launched in December 2011, to CNY70 billion from CNY20 billion. The Hong Kong subsidiaries of 21 Chinese firms can provide Hong Kong investors with yuan fund products or exchange-traded funds linked to A shares. In contrast, Lipper said the qualified domestic institutional investors (QDII) scheme – investment funds for mainland investors to invest outside China – recorded a modest gain of 1.29% in August and was up nearly 3% so far this year, outperforming Chinese stock markets and funds.

TRAVEL

Market for elderly tourists to be developed

The market for elderly tourists is severely underdeveloped in China, Yu Ningning, President of China International Travel Service, said at the Global Tourism Economy Forum in Macao. Chinese tourists over 60 accounted for only 20% of total departures, compared with between

50% and 60% internationally, Yu said. Older tourists were more likely to fall into the big-spender category, which referred to each person spending between CNY12,000 and CNY13,000 per trip. China is the world's second largest outbound tourism market and is on track to outpace Europe as the top source of tourists. Last year, there were more than 70 million outbound tourists, which was 1.2 times the number from the United States and 3.5 times the number from Japan. But the growth is expected to cool this year, slowing to 12% from 22% last year because of the global outlook. Yu said China would miss a target of 100 million outbound tourists by 2015. Michael Frenzel, Chairman of the World Travel & Tourism Council, forecast that the number of Chinese tourists visiting Europe would increase fourfold by 2020.

- China, Russia, Mongolia and the Republic of Korea (ROK) signed a memorandum of understanding to boost cross-border tourism in North-east Asia. The cooperation is part of the Greater Tumen Initiative, supported by the United Nations Development Program (UNDP). The Tumen River area is home to a wide variety of tourist attractions. Jilin province has developed 11 cross-border travel routes in the past decade. Authorities have produced tourist maps for Eastern Mongolia, the Yanbian Korean autonomous region, Russia’s Primorsky Territory and the Rajin-Songbong area of the DPRK (North Korea). However, some travel agencies complained that the infrastructure was not ready to handle more international tourists.
- A new high-speed rail line from Shijiazhuang to Beijing made its first test run after four years of construction. The 281 kilometer railway, which cost CNY44 billion, will open by the end of the year, shortening the trip from two hours to 50 minutes.
- Chinese airlines have increased onboard security and the number of plain-clothes security personnel following a series of incidents on Chinese carriers in the past month. In the latest case, a passenger was caught on a Beijing Capital Airlines flight claiming at Sanya airport there was a bomb onboard. It was the second incident in which a Chinese flight was forced to return after hoax calls within two weeks. A Shenzhen Airlines flight was diverted to an airport in central China’s Hubei province after receiving a threatening call late last month. Fights among passengers have also been reported on two flights.
- A proposal to let tourists see parts of Hainan province aboard aircraft flying at low altitudes has passed an examination by authorities. The proposal is the first specifically concerning “low-altitude tourism” in China. Sanya, in Hainan province, will build an international seaplane center and work to combine the general aviation and tourism industries. Regulatory reforms concerning low-altitude airspace are expected to be introduced by 2015 and completed by 2020, Du Qiang, Deputy Director of the Office of the National Air Management Traffic Committee, said.
- Passenger and air traffic movements both set new monthly records for a second month in August at Hong Kong International Airport. Passenger volume reached 5.2 million, up 3.9% year-on-year. Flight movements hit a record 30,470, a rise of 5.2% from last year, and more growth is expected. For the first eight months of the year, the airport handled 37.9 million passengers and processed 2.6 million tons of cargo, representing growth of 5.6% and 0.2% respectively from a year earlier.
- Shanghai will build the city’s first aviation theme park at the former World Expo 2010 site in Pudong with major attractions including a Boeing 747 aircraft refurbished as a club, aviation simulators and a hot-air balloon to take visitors up 30 meters over the city. The Aviator Theme Park, covering 30,000 square meters near the former U.S. Pavilion in Zone C, will open to the public next month with an admission price of CNY100.
- The Pudong New Area started to offer a one-day tourism package on September 16, including discounted group tickets to individual tourists to visit the three landmark buildings — the Shanghai World Financial Center, Jin Mao Tower and the Oriental Pearl TV Tower — as a countermeasure to scalpers.
- The Ministry of Railways (MOR) announced that it plans to launch a new service allowing the public to purchase tickets via smartphones running the iOS or Android operating systems. Some reservations will be available during the eight-day period covering the National Day holiday and the Mid-Autumn Festival that will start on September 30. The Ministry estimates 75.4 million trips will be made by train from September 27 to October 7 — 6.86 million trips each day.

- Lonely Planet, the travel guides publisher for backpackers, is to triple its publications in China in the next five years, at a time when outbound tourism is approaching 100 million a year. When Lonely Planet first came to China in 2006, it mainly provided content to then-partner SDX Joint Publishing for translation into Chinese. Now it is in the process of setting up its first office in Beijing and hiring its own staff so as to gain more control of its publications. Lonely Planet had set itself a target of tripling its titles to 180 on the mainland from 63 at present.
- Some major Shanghai travel agencies are to stop organizing tours to Japan and suggest tourists make alternative plans due to protests over the Diaoyu islands. Some tourists who already paid for package tours canceled their trips. Last year, 108,891 tourists from Shanghai went to Japan on organized package holidays, making Japan the second most popular tour destination for travelers from the city after Thailand. Shanghai-based Spring Airlines is predicting a 30% decline in passenger numbers on China-Japan routes due to the row.
- China South Locomotive & Rolling Stock Co, the country's largest manufacturer of rail carriages, has won seven projects worth CNY5.41 billion, including two contracts with foreign companies. A USD400 million order from South Africa's Transnet SOC is the largest overseas electric locomotive order ever won by a Chinese company. It is the first time Chinese electric locomotives have been sold to Africa. Another project was signed with Venezuela CME Commodities & Minerals Enterprise for truck sales worth CNY120 million.
- The 100th Airbus A320 aircraft assembled in the Airbus Final Assembly Line in Tianjin completed its first test flight. It is the first time Airbus had an all-Chinese test flight crew. The airplane, with 158 seats, is scheduled to be delivered to Air China in late September. So far, a total of 98 aircraft have already been delivered to 11 Chinese airlines from Tianjin.
- Entertainment chain Hard Rock International plans to open its first batch of rock'n'roll-themed hotels in China in 2015 after reaching an agreement with local golf-resort operator Mission Hills. The 280-room Hard Rock Hotel Shenzhen and 250-room Hard Rock Hotel Haikou will both feature Hard Rock's famed rock'n'roll design elements, as well as guest amenities inspired by its musical roots. Mission Hills has three luxury resorts in China that emphasize golf.
- Foreign travelers from some countries will soon be able to enjoy a visa-free stay of up to 72 hours while in transit in Beijing to attract more tourism spending, Vice Mayor Ding Xiangyang said. Experts expect the policy to bring CNY400 million in income to Beijing every year. No timetable for the policy's introduction was announced.

ONE-LINE NEWS

- Hong Kong has retained its title as the world's most expensive city for expat businesspeople to live in, coming ahead of second-placed London. Residential prices for executive housing rose 7.4% in the first half of 2012, the UK property brokerage Savills said. Hong Kong has both the highest housing and office prices and the fastest pace of growth.
- Liu Mingkang, former Chairman of the China Banking Regulatory Commission (CSRC), has called the U.S. Federal Reserve's third round of quantitative easing "irresponsible", while an official at the same regulator said the stimulus won't provide sustained support to the U.S. economy. The U.S. stimulus program drove commodity prices higher and spurred stocks to the highest levels since 2007. It was more likely to boost growth for a limited time than provide longer-term support, Yan Qingmin, Assistant Chairman of the CBRC, said.
- On September 15, Vice President Xi Jinping re-appeared in public after an absence of 14 days and a string of canceled meetings. He attended an activity to mark this year's National Science Popularization Day at the China Agricultural University. Chinese media said he was recovering from a back injury. He will attend the upcoming 9th China-Asean Expo in Nanning, Guangxi, to further allay speculation over his health and uncertainties over this autumn's leadership transition.
- The combined Mid-Autumn Festival and National Day holiday will start on September 30 and run till October 7 included. Passenger cars with seven seats or less and motorcycles will be exempted from road tolls during this period. Analysts expect a

significant increase in road traffic. More people are expected to rent cars to go on holiday trips.

ADVERTISEMENTS

Hainan Airlines, your direct link from Belgium to China

Canton Fair – Encouraging Growth at a Difficult Time

Canton Fair--Encouraging Growth at a Difficult Time

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**

FOUNDING MEMBERS

STRUCTURAL PARTNERS

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

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

Membership rates for 2012:

- Large enterprises: €875
- SMEs: €350

Contact:
Flanders-China Chamber of Commerce
Voldersstraat 5, B-9000 Gent
Tel.: +32 9 264 84 86/82 – Fax: +32 9 264 69 93
E-mail: info@flanders-china.be
Website: www.flanders-china.be

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

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

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com or mobile phone +86-13901323431. Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.