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FLANDERS-CHINA CHAMBER OF COMMERCE
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NEWSLETTER | 24 SEPTEMBER 2012

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FCCC ACTIVITIES

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. 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.

Meeting with Ningbo (Yuyao city) delegation – Thursday, 11 October 2012, 12h30 – Brussels

To mark the visit of the Vice Mayor of Yuyao City (Ningbo) and his delegation, the Flanders-China Chamber of Commerce (FCCC), Flanders Investment & Trade, and Agoria are organizing an information meeting. This meeting will take place on Thursday, 11 October at 12h30 at the Sheraton Hotel, Place Rogier 3, Brussels.

The Vice Mayor of Yuyao, Mr Lu Jianguo, and representatives of the Yuyao investment Bureau will give an outline of the investment environment in Yuyao (Zhejiang Province). The Party Secretary will be accompanied by leading entrepreneurs from Yuyao, 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. Yuyao city is under the jurisdiction of Ningbo city and is situated in Zhejiang province. It has attracted a vast amount of foreign investment to focus on developing the industries of automobiles and parts, electronics and information, fire fighting equipment, electromechanical equipment and tools, plastics, mould industry and agriculture.

Programme:

12:30 -13:00 Registration

13:00-13:10 Opening of the symposium by Mr Cen Jie, Director of the Yuyao Investment

	Promotion Bureau
13:10-13:25	Welcome speech by Mrs Claire Tillekaerts, CEO, Flanders Investment & Trade
13:30-13:50	Speech by Mr Lu Jianguo, Vice Mayor of Yuyao City People's Government
13:50-14h00	Speech by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
13:50-14:30	General introduction of Flanders and its investment environment by Mr Marc Van Gastel, Head of Inward Investment, Flanders Investment & Trade
14:30-15:10	General introduction of Yuyao City and its investment environment by Mrs Fang Zhen, Vice Director of the Yuyao Investment Promotion Bureau
15:10 -15.20	Opening of the reception by Mr. Cen Jie, Director of the Yuyao Investment Promotion Bureau, and Mr Lu Jianguo, Vice Mayor of Yuyao City People's Government
15:20-16:20	Cocktail reception and B2B meetings

Registration online by Friday 5 October at the latest. Participation is free of charge.

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 Desein: “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 Demuyne, 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

EU-China Business Summit – 20 September 2012 – Brussels

The 8th EU-China Business Summit on 20th September 2012 in Brussels brought together the highest level of CEOs from Europe and China. European and Chinese political leaders, including Chinese Premier Wen Jiabao, European Commission President José Manuel Durão Barroso, European Council President Herman Van Rompuy and Belgium's Deputy Prime Minister Didier Reynders also attended and addressed the participants.

Organized by BUSINESSEUROPE and the China Council for the Promotion of International Trade – in cooperation with the European Union Chamber of Commerce in China, EU-China Business Association and EUROCHAMBRES – the event, held in parallel to the EU-China Political Summit, served as an important forum for an open discussion about the current and future challenges and opportunities shaping the business environment in China and the European Union. The event was supported by the Flanders-China Chamber of Commerce (FCCC)

Participants of the business summit expressed their concern about the ongoing global economic crisis and the slowdown in the Chinese economy. The business leaders discussed the challenges in innovation to remain competitive and to be able to adapt to local and global market demands. They looked at the ways of strengthening investment opportunities to boost growth by encouraging companies to invest and agreed that the EU and China should pursue an ambitious bilateral strategy to further open their markets by launching investment treaty negotiations.

BUSINESSEUROPE President Jürgen R. Thumann said: "China is already the EU's 2nd largest trading partner and its fastest growing export market. European companies are very keen on doing more business with and in China. The EU and China need to rely on partnerships for growth. But partnerships can only work well if they are beneficial to all parties involved. Therefore the strong economic dialogue that removes trade and investment impediments is central to the EU-China relationship."

Arnaldo Abruzzini, Secretary General of EUROCHAMBRES said: "Amidst the uncertainties we, Europeans, are facing in our home region, we wish to send a strong signal that EU-China relations remain crucial to overcome the current crisis. Despite dissensions, we need to pursue an open dialogue, to avoid protectionist temptations and to create the conditions for a harmonious and balanced business relationship for businesses from both sides, especially smaller ones."

Davide Cucino, President of the European Union Chamber of Commerce said: "More than ever before in modern history, the global economy depends on cooperation between Europe and China. Europe's open investment environment not only offers Chinese companies opportunities to enter a large mature marketplace, it also brings direct benefits that can help lift Europe out of its economic malaise. Likewise, European companies can be a catalyst to assist China shift its economy towards quality-driven sustainable growth, which is probably the primary challenge facing the global economy today. So, while today's Business Summit's theme of cooperation was apt, it also taught us that such necessary cooperation can only stem from an acknowledgement that fostering investment and healthy competition in an open marketplace is the most important goal."

Sir David Brewer CMG, President of the EU China Business Association said: "Today's Business Summit has yet again given European and Chinese businesses a tremendous opportunity to meet and discuss issues of common interest. Significant scope exists for even broader and deeper trade and investment links between the EU and China that will benefit our peoples. Now, as much as at any time in recent history, we need businesses to lead the way in driving economic recovery."

Lunch seminar: EU Business in China: Position Paper 2012/2013 – 18 September 2012 – Brussels

The Flanders-China Chamber of Commerce (FCCC) invited its members to the annual lunch seminar "EU Business in China: Position Paper 2012/2013", on 18 September 2012 at the Résidence Palace in Brussels. The seminar was 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 presented its European Business in China Position Paper 2012/2013. Speakers were Karel De Gucht, Commissioner for Trade, European Commission, and Davide Cucino, President, European Union Chamber of Commerce in China.

The Position Paper can be obtained at <http://www.eurochamber.com.cn/en/chamber-publications>.

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.

Mrs Claire 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

FINANCE

Profit growth drops at Top 10 listed banks

Profit growth at the Top 10 listed Chinese banks halved in the first six months compared with a year earlier, highlighting tougher operating conditions as lending profitability and fee income shrank in a weaker economy. The banks posted a combined net profit of CNY513.2 billion in the first half, a 17% increase from a year ago. In the same period in 2011, growth was 34%, according to PricewaterhouseCoopers (PwC). The accelerated pace of financial reform by the People's Bank of China (PBOC), including cutting interest rates and expanding the floating band of deposit and lending rates, were the main factors that hit banks' profits, said Raymond Yung, Financial Services Leader for China at PwC. The average net interest margin, the spread between what banks earn from lending and their funding costs, edged down in the first two quarters to 2.65% at the end of June. Revenue contribution from fee and commission income fell 1.85 percentage points to 18.79%. Overdue loans, or loans not yet classified as bad, shot up by CNY112.88 billion to CNY488.97 billion between the end of last year and the

end of June.

- Victims of private lenders filed more than 600,000 lawsuits nationwide, valued at CNY110 billion last year, an increase of 38% from 2010. In the first half of this year, the number of filings rose 25% to 376,000, according to the newspaper of the Supreme Court. Private lending between individuals is believed to be worth USD1.3 trillion, according to research firm IHS Global Insight. Interest rates can reach as high as 100%.
- China's outstanding external debt rose by USD34 billion in the second quarter to USD785.17 billion by the end of June, the State Administration of Foreign Exchange (SAFE) said. Most of the debt owed to foreign creditors resulted from short-term borrowing, as outstanding external debt with a term of one year or less amounted to USD588.22 billion, or 75% of the total, up from 74.2% at the end of March. Long- and medium-term external debt outstanding totaled USD196.95 billion.
- Taiwan's central bank said it has picked the Shanghai branch of state-owned Bank of Taiwan to be the clearing bank for Taiwan dollar transactions on the mainland, under a landmark currency clearing system agreement signed earlier this month. Bank of China (BOC) is expected to be chosen by the People's Bank of China (PBOC) to be the yuan clearing bank on the island. Under the agreement, there will no longer be a need to convert each other's currency into U.S. dollars first in trade transactions.
- China Construction Bank (CCB) has CNY100 billion of capital available to acquire a European bank or, at a minimum, to buy a stake of 30-50% in a larger entity, Chairman Wang Hongzhang said. He added that an investment in the UK, Germany or France would be most attractive, but declined to name specific targets. Any acquisition target would have to have a reasonable international presence, rather than just a single-country domestic focus. ICBC's USD5.5 billion, 20% stake in South Africa's Standard Bank has been the biggest deal to date.
- China may not cut interest rates in the rest of this year and is likely to lower bank reserve requirements only once this year, a Standard Chartered Bank report said. Policy makers are more tolerant of the current economic slowdown, the report added. "The People's Bank of China seems to believe that interest rates are already at an appropriate level, and if they need to go lower, banks themselves have the freedom (to cut)," the report said.
- The yuan briefly hit 6.2945 to the U.S. dollar, the strongest level since April 17. The yuan has firmed up 0.7% against the greenback so far this month, paring its loss for the year to 0.2%. But the yuan's 12 month non-deliverable forwards, watched as a future indicator of the exchange rate, stood at 6.4160 per dollar on talk the yuan may depreciate in the offshore market. DBS Bank said in a report that China may widen the yuan's trading band again by the end of this year to allow it greater flexibility.
- Citibank issued its first sole-branded credit card in China. Five cards in two categories were issued and will be available in the thirteen cities that Citi operates in. The bank offers renminbi- and U.S. dollar denominated China UnionPay, Visa and MasterCard credit cards.
- Edgar Zhi, former Chief Financial Officer (CFO) with the Royal Bank of Scotland's China operations, was recently questioned by police over suspected economic crimes. A source said it was the British government that reported irregularities by Zhi to the authorities. "The case is a wake-up call to foreign banks in China because they still lack sufficient knowledge about the local market," said one local official involved in supervising banks. "They should know that there are certain grey areas here and some of the mainland employees are bold enough to enter."
- Hong Kong's biggest insider trader and former Morgan Stanley Managing Director Du Jun lost his appeal against his conviction but had his jail term cut to six years from seven and his fine sharply reduced. In a ruling thought to be unprecedented, Hong Kong Court of Appeal Vice President Justice Frank Stock and two other judges reduced the fine payable to HKD1.688 million, from the HKD23.3 million imposed by the District Court in September 2009. Du will thereby have more money to pay the victims of his insider dealings in 2007. It remains the toughest sentence handed down in the city for insider trading.

FOREIGN INVESTMENT

Several Japanese factories shut amid demonstrations

Several Japanese firms shut factories in China and urged their nationals in the country to stay indoors ahead of angry protests on September 18, the 81st anniversary of Japan's invasion of North-east China. Demonstrations have been ongoing in China against Japanese claims to the Diaoyu islands. Stores of Toyota Motor Corp and Honda Motor Co in Qingdao were damaged. Japan's Fast Retailing temporarily closed 19 Uniqlo clothing stores in China, while Japan's top general retailer, Seven & I Holdings, closed 13 Ito Yokado supermarkets and 198 7-11 convenience stores. Mazda Motor Corp halted production at its Nanjing factory, which it operates with Chongqing Changan Automobile Co and Ford Motor Co, for four days. Panasonic said one of its plants had been sabotaged by Chinese workers. All Nippon Airways Co reported a rise in cancellations on Japan bound flights from China. The dispute also hit shares of Hong Kong-listed Japanese retailers. Many Japanese schools across China have canceled classes last week. The overseas edition of the People's Daily warned that China could resort to economic retaliation if the dispute escalates. Trading companies report that Japanese products are facing stricter customs inspections. A Reuters poll showed that 41% of Japanese companies see the islands dispute affecting their business plans. China is Japan's biggest trade partner with bilateral trade worth USD340 billion in 2011. Japan's exports to China accounted for 19.7% of Japan's total exports in 2011. Foreign direct investment (FDI) by companies from Japan surged 19.1% from a year earlier to HKD36.67 billion in the first seven months of this year, according to the Chinese Ministry of Commerce (MOFCOM). Tokyo Governor Shintaro Ishihara triggered the dispute in April when he said he might use public funds to buy the islands – known as the Diaoyus in China and Senkakus in Japan – from a private Japanese owner. Tensions escalated after Japan's cabinet approved the purchase of the islands for JPY2.05 billion. China postponed indefinitely a reception planned on September 27 to mark the 40th anniversary of the establishment of diplomatic ties with Japan.

Mainland Chinese investment in Taiwan on the rise

Mainland and Hong Kong investments in Taiwan have soared over the past three years, albeit from a small base, as cross-strait political tensions have eased. Since Taiwanese authorities permitted mainland investment on June 30, 2009, USD308 million had flowed in as of July 31 this year, according to Chen Guang-pi, Director of the Commercial Division of the Taipei Economic and Cultural Office in Hong Kong. There are 284 mainland investment projects in Taiwan in sectors such as banking, computers, electronics and wholesale goods. Mainland investment in Taiwan surged from USD37 million in 2009 to USD94 million in 2010, dropping to USD43 million last year, but rebounding to USD133 million in the first seven months this year, Chen said at a Hong Kong General Chamber of Commerce seminar. The mainland accounted for a tiny portion of investments, given that Taiwan hoped to attract NTD1 trillion of investments this year, excluding that of the Taiwan government, Chen admitted. Last year, Taiwanese investment in the mainland rose 7.12% to USD13.1 billion, a slower growth rate than in 2010. The mainland has become Taiwan's biggest overseas investment target, with USD111 billion flowing in from 1991 to 2011. Hong Kong investments in Taiwan jumped 137% to USD400 million last year, while Taiwanese investments in the city grew 4% to USD250 million, David Lie, Vice Chairman of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council, said. Hong Kong's exports to Taiwan jumped 24% to USD11 billion last year, while imports from Taiwan grew 7% to USD31 billion, Lie said, admitting the scale of trade and investment between Hong Kong and Taiwan was modest, the South China Morning Post reports.

Otis opens new elevator factory in Chongqing

United Technologies Corp (UTC) promised to continue investing in China, after the opening of a new CNY100 million Otis Elevator factory in Chongqing with an initial annual production capacity of more than 15,000 elevators. UTC reported USD4.4 billion in sales revenue in China in 2011, through its network of 25 manufacturing facilities and more than 40 joint ventures. Otis figures show that China now accounts for one out of every two elevators it sells globally. It has so far installed approximately 400,000 elevators and escalators in China. It also exported 15% to 17% of the elevators it produced in its Hangzhou plant. According to the China Elevator Association, China is the world's largest elevator manufacturer and consumer, with annual sales totaling CNY95 billion. In 2011, China manufactured 406,000 elevators and 51,000 escalators in total, which accounted for 70% and 95% of the global new equipment installations of the year, respectively, with a combined year-on-year growth rate of 25.2%.

Moreover, China exported 31,000 passenger elevators and more than 16,800 escalators to more than 140 countries and regions in 2011, making China also the world's largest elevator exporter. Tom Vining, President of Otis China, added: "Our new facility in Chongqing will support the significant growth opportunities in central and western China and beyond. We also foresee a growing replacement market, as real estate owners and developers start modernizing all of their old elevators." UTC Chairman Louis R. Chenevert said that despite the economic slowdown this year, "China is an engine for growth of our whole group in the future. We need to always bring the latest technologies and most advanced products (here) and the faster we localize, the faster we can provide the latest products to meet the booming local demand", the China Daily reports.

Sotheby's JV to sell art in China

Auction house Sotheby's became the first foreign company allowed to sell art and other collectibles in China. The company signed a joint venture agreement with Beijing GeHua Art Co, a state-owned enterprise, to sell art in China. Sotheby's owns 80% of the new company, which still requires the approval of the central Chinese government. Called Sotheby's (Beijing) Auction Co, the venture's first sale is slated for September 27 in Beijing and will feature one work by artist Wang Huaqing. In 2011, the country was responsible for 41% of the world's art sales, making it the biggest market for art for the second year running, according to market tracker Artprice. But international auction firms like Sotheby's and Christie's until now have been restricted from holding sales in China. Since 2005, Christie's has licensed its name to a domestic Chinese auction firm but doesn't own a stake in the venture. The Sotheby's joint venture would hold sales at the planned free port project that partner GeHua is developing at Beijing's Capital International Airport. China restricts the trade of art and other prized historical items, banning the export of cultural relics, and places heavy import taxes on collectors who bring art into the country. The free port, projected to take up almost 900,000 square feet, is a tax-exempt storage facility that its planners hope will become a trading hub for art and other collectibles, the Wall Street Journal reports. Beijing Poly International Auction Co and China Guardian Auctions Co are now the world's third- and fourth-largest art auction houses, ranking after Sotheby's and Christie's.

Moderate fall in August FDI reported

Foreign direct investment (FDI) in China fell 1.43% year-on-year in August to USD8.32 billion, recovering from July's decline of 8.7%, the Ministry of Commerce (MOFCOM) said. China should allow foreign companies to participate in more activities to consolidate the recovery, said Li Maoyu, Analyst at Changjiang Securities Co. In the first eight months, foreign investors had set up 15,777 new enterprises in China with an investment of USD74.99 billion, a contraction of 3.4% from 2011. Foreign investment in China's manufacturing sector fell 6.66% annually to USD33.7 billion during the January-August period. Funds flowing into China's service sector were down 1.85% to USD35 billion, led by a 9.89% cut in foreign investment in the property market. Excluding real estate, investment in the service sector grew 5.31%. U.S. investment fell 2.85% in the first eight months. Capital from the European Union decreased 4.1% during the period, but investment from Germany, France and the Netherlands bucked the trend by swelling 27%, 14% and 3% respectively. Shanghai's inbound FDI grew 20.9% year-on-year to USD1.6 billion in August, the Shanghai Statistics Bureau said. The figure was boosted by investment in the Disneyland Park. In the first eight months, China's non-financial outbound direct investment (ODI) rose 39.4% to USD47.6 billion, in contrast to last year's 1.8% growth. Outbound investment through mergers and acquisitions (M&As) grew relatively quickly and amounted to USD13.2 billion in the months to August, the Shanghai Daily reports.

- China currently has nine Free Trade Agreements (FTAs), including Closer Economic Partnership Arrangements with Macao and Hong Kong, and an FTA with ASEAN. The most recent one signed is the Foreign Investment and Partnership Agreement (FIPA) with Canada, which still has to be ratified.
- Australia is lobbying Chinese companies to put more money into the country as it tries to boost foreign investment and create more jobs. The latest campaign to lure investment was led by Ted Baillieu, Premier of the state of Victoria, with a business delegation that visited 13 Chinese cities, including Shanghai and Beijing. He said Australian agriculture firms had "significant success" in finding new prospects during the visit. The Victorian delegation of more than 600 people representing more than 400 companies was a big increase from a party of just 20 that visited China last year.

FOREIGN TRADE

China files anti-dumping case against U.S. at WTO

China filed a World Trade Organization (WTO) case challenging U.S. anti-dumping measures on billions of dollars of kitchen appliances, paper and other goods. China's move came before the Obama administration filed its own WTO case accusing China of improperly subsidizing exports of automobiles and auto parts. The Chinese Ministry of Commerce (MOFCOM) said its latest WTO complaint centers on the U.S. Congress's passage of a law this year that retroactively gave the Commerce Department power to impose anti-dumping duties on Chinese goods. The Ministry said U.S. measures being challenged cover 24 types of products worth USD7.2 billion. A statement from the WTO in Geneva said they include paper, steel, tires, magnets, chemicals, kitchen appliances, wood flooring and wind towers. The Chinese filing requests consultations to settle the dispute. If no resolution is found after 60 days, China can ask for the case to be handed over to a WTO panel for judgment. The U.S. filed a complaint against China, accusing it of illegally subsidizing exports of automobiles and auto parts. The U.S. claims the aid amounted to at least USD1 billion between 2009 and 2011 and benefited as much as 60% of Chinese car-parts exports. In July, Washington had already filed a WTO case challenging anti-subsidy tariffs imposed by Beijing on imports of American automobiles, the Shanghai Daily reports. Since the first countervailing investigation against Chinese exports in November 2006, the U.S. has launched more than 30 investigations against 24 types of Chinese exports worth more than USD7.2 billion, according to the Ministry of Commerce.

- Tianjin has attracted USD8.3 billion in foreign direct investment (FDI) in the first six months of this year, compared to USD5.28 billion in all of 2007. Some 152 Fortune 500 companies have made investments in the city, more than four times the number five years ago.
- The European Union saw its trade deficit with China drop in the first six months. EU exports to China rose from €66 billion in the first half of 2011 to €73 billion in the same period of this year, while imports stabilized at about €140 billion. As a result, the trade deficit fell from €75 billion to €67 billion. The EU trade deficit with China reached its peak of €170 billion in 2008, then fell to €156 billion in 2011.
- The Hong Kong government has launched a crackdown on cross-border parallel traders, who risk revocation of their entry permits by Shenzhen authorities if they break Hong Kong immigration laws. Hong Kong Chief Executive Leung Chun-ying said he would seek help from Beijing to clamp down on the parallel traders. While buying goods in Hong Kong for sale across the border is not illegal, the traders are breaching immigration laws by working in Hong Kong. Police would also step up enforcement against traders who obstruct streets, cause a nuisance or threaten public safety. The MTR Corp would more strictly enforce its rules, including limits on the size of baggage carried by passengers. 131 traders were arrested by police on suspicions of working illegally.
- China's exports to major export destinations continued to fall in August: exports to Germany fell 16% year-on-year, to France 12.5%, and to Italy 26%, while exports to Japan and the U.S. were also weakening. Exports of high-tech products grew just 1.7% year-on-year in August and the trend is down. Lackluster high tech exports came even as mobile phone exports jumped 62% year-on-year in August. Despite the export weakness, China's trade surplus rose to USD26.7 billion because imports fell 2.7%, the first annual decline since October 2009 (ignoring a Lunar New Year-driven 14% drop in January).
- China passed the U.S. last year for the first time to become the biggest importer of agricultural products, while also increasing its exports, according to data by the World Trade Organization (WTO). Imports, including food and beverages, rose 34% to USD144.7 billion in 2011 from USD108.3 billion in 2010, according to Bloomberg calculations based on WTO data. Exports gained 25% to USD64.6 billion, beating Canada to become the sixth largest.
- China will scrap customs supervision charges for foreign trade enterprises starting October 1 to ease their burdens amid faltering trade. All outbound and inbound goods, as well as transport vehicles and containers, will also be exempted from inspection and quarantine fees from October 1 to December 31. The policy is expected to save foreign trade enterprises about CNY3.5 billion.

- China, the world's biggest sugar importer, may harvest its second-largest sugar crop after favorable weather spurred farmers to increase planting, potentially cutting overseas purchases and widening a global surplus. Production in China may climb 19% to 13.7 million metric tons in the season starting October, according to the median estimate of nine analysts and traders. Output totaled 11.5 million tons this season, according to the China Sugar Association.

IPR PROTECTION

SIPO now focuses on patent information

The Chinese government's focus on intellectual property work has moved to the stage of helping companies better use the patent process and providing improved services after applications are filed, Tian Lipu, Commissioner of the State Intellectual Property Office (SIPO), said at the annual Patent Information Conference in Beijing on September 11. As a crucial part of IP services, "patent information plays an important role by strengthening innovation, protection and management", he told the audience. "It is irreplaceable for companies in R&D and proprietary technologies," the Commissioner said. "Patent information is now a strategic resource to sharpen a competitive edge and enhance innovation as more companies pursue a share of the international market," he said. Xu Ning, head of the Patent Classification Section at the World Intellectual Property Office (WIPO), said efficient access to information is increasingly crucial. "WIPO will develop a global infrastructure to become a world reference source of IP information," she said. This year's conference has an "accurate position" as it considers how patent information helps transform industries, said Commissioner Tian. It attracted about 1,200 delegates including government officials and representatives from 500 large international companies, the China Daily reports.

- The Hubei Provincial High Court has ordered Wuhan Yunhe Sportswear to pay former NBA superstar Yao Ming CNY1 million for using his name in its advertisements without his consent. A lower court had awarded Yao CNY300,000, but the Shanghai-born star argued it was too low.

MACRO-ECONOMY

Fudan University Economist says China facing disinflation

"The Chinese economy is now facing a situation of disinflation – a slow-down in the inflation rate, but not deflation — when the inflation rate falls to less than zero," said Sun Lijian, Deputy Dean of the Economic School at Fudan University in Shanghai. It is likely inflation may bounce back soon in the coming months because growth in money supply is high while the development of the economy is slowing, a situation that can lead to excess liquidity, said Sun. In the first six months of this year, the growth of the broad money supply M2 was 13.6%, while the gross domestic product (GDP) increased by about 7.9% during the same period. Sheng Laiyun, Spokesman of the National Bureau of Statistics (NBS), said it was impossible for China to face deflationary risks because the economy is developing at a "healthy" rate. Some economists said that although consumer prices are still increasing, industrial sectors have already been exposed to dangerous deflationary pressures. The Producer Price Index (PPI) retreated to its lowest level in August since November 2009, a fall of 3.5% from a year earlier. It was the sixth consecutive monthly decline as it reached its lowest level in 34 months. The NBS also reported the growth of industrial output in August cooled to its slowest pace in 39 months to 8.9% year-on-year, the third decline from May's 9.6%, after 9.5% in June and 9.2% in July. The faster-than-predicted drop in output prices directly influenced the industrial companies' profitability. In the first seven months of this year total profits of big industrial enterprises declined by 2.7% from the same period in 2011 to CNY2.68 trillion.

- Profits at China's state-owned enterprises (SOEs) have continued to decline, off 12.8% annually to CNY1.38 trillion in the first eight months of the year, the Ministry of Finance said. However, the SOEs' combined profits rebounded on a monthly basis, up 1.1% in August from July's 11.6% drop. Between January and August, the revenues of the SOEs grew 9.7% to CNY26.8 trillion annually. The profits of centrally-administered SOEs slid 9.4% from a year earlier to CNY954.2 billion from January to August, while earnings at local government SOEs fell 19.6% to CNY424.9 billion during the same period.

- China is building more subways, highways and sewage plants in 18 cities to counter a growth slowdown, Xu Lin, Director of the Planning Department at the National Development and Reform Commission (NDRC), said in Beijing. He said the accelerated project approval did not mean the government is rolling out more stimulus measures. "These projects are already in our plan," Xu said.
- Barclays cut its forecast of China's GDP growth for this year to 7.5% from its original 7.9% estimate and to 7.6% from 8.4% for 2013. "The current growth slowdown is a combination of both structural and cyclical changes, and we think 7% to 8% growth may become the new 'normal'," said Chang Jian, Economist with the bank. He added that China's economic growth was likely to stabilize in the coming quarters above 7%.
- China's economy is likely to see a slight rebound in the fourth quarter and reach 7.5% GDP growth in 2012, thanks to a better real estate market and the relatively proper price/earnings ratios in the stock and security markets, according to Gao Ting, Managing Director of UBS Securities Co.
- HSBC Corp said a preliminary reading of its purchasing managers' index for September stood at 47.8, up slightly from August's 47.6. Qu Hongbin, Chief Economist for China at HSBC, said that although China's manufacturing growth was still slowing, the pace of the slowdown was stabilizing.

MERGERS & ACQUISITIONS

Catering industry should consolidate, says Deloitte

Players in China's catering industry should explore merger and acquisition opportunities to help them meet rising market challenges, according to Deloitte Touche Tohmatsu. The catering industry faces a host of issues including rising operating costs, poor food safety, labor shortages and a rapidly transforming Chinese economy that is reshaping customer demand, a Deloitte report said. Escalating customer requirements mean companies could benefit from better brand recognition, fostered through industry integration, the report added. An increasing number of restaurants seek large and standardized operations.

- China's BGI-Shenzhen is acquiring California-based gene sequencing company Complete Genomics for USD117.6 million. The sector is under pressure from a cut in funding by the U.S. National Institutes of Health for basic science research. Complete Genomics said it would get an extra USD30 million in bridge financing for its operations after the deal, which may close in early 2013.
- Personal computer manufacturer Legend Holdings spent CNY400 million to buy Shandong Kongfujia Group, a well-known Chinese wine company. Kongfujia's management team will not change. Lenovo will invest in improving the wine company's production ability, widening sales channels, optimizing the product structure and establishing brand reputation. The purchase is Legend Holdings' third acquisition in the liquor sector since the company announced last year its plans to diversify into agricultural production.

PETROCHEMICALS

Nexen shareholders approve CNOOC bid

Nexen's shareholders have approved CNOOC's USD15.1 billion bid for the Canadian oil and natural gas producer, the biggest foreign takeover by a Chinese company. About 99% of common shareholders who voted cast ballots in favor of the takeover, S. Barry Jackson, Non-executive Chairman of Nexen, said in Calgary, Canada. CNOOC, China's largest off-shore oil and gas producer, agreed to pay USD27.50 a share for Nexen in an offer announced on July 23. The deal still needs approval from the Canadian government, which reviews foreign acquisitions worth more than CAD330 million to ensure there is a "net benefit" to the country. There is "low risk" Canada will block the deal or impose onerous conditions, said Philip Skolnick, Analyst at Canaccord Genuity Corp in New York. China's Ambassador to Canada Zhang Junsai warned against allowing domestic politics to drive the Canadian government's decision on whether to approve the take-over.

- China's ethylene production capacity is expected to reach 25.56 million metric tons in 2015, up from 15 million tons now. Zhang Fuqin, Engineer at the China Petroleum and Petrochemical Engineering Institute, said that China's demand for ethylene will increase at an annual growth rate of 5% from 2010 to 2015. The growth rate will rise to 5% to 7% from 2013 to 2015.

REAL ESTATE

Developers add tourism projects to avoid tenders

Chinese developers are promising tourism-related components in their projects as a way to acquire building sites at a cheaper price. In recent months, developers including Shimao Group, Evergrande Real Estate Group, Guangzhou R&F Properties, Country Garden Holdings and Kaisa Group have all released plans that include tourism elements in their projects. They could thereby avoid public tenders or auctions and acquire the sites through negotiations with local governments. Research by Travel Fortune, a tourism news website, shows that a third of China's top 100 developers have stepped into the tourism sector. Total investment commitments in real estate amounted to CNY1.58 trillion in the first four months of the year, of which nearly 20% was committed to tourism-related property. Shimao said last month it planned to invest more than CNY100 billion to develop tourism-related projects in Shanghai, Wuhan, Dalian, Fujian and Hainan.

- A 619 sq m duplex apartment in Shanghai's Pudong New Area was sold for a record CNY116 million. The unit at Ocean One, a COFCO development in the heart of Little Lujiazui, was sold for an average CNY187,000 per sq m, according to Shanghai Devolente Realty Co. It was the most expensive apartment in Shanghai in terms of overall price, beating the previous record of CNY113 million set by Tomson Riviera, a luxury residential project also in Lujiazui.
- Fewer Chinese cities saw the price of new homes rise in August as demand fell across the country. Excluding government-funded affordable housing, prices rose in 36 of 70 cities tracked by the National Bureau of Statistics (NBS), compared to 50 in July. Prices remained flat in 14 cities, three more than in July. New-home prices in Beijing, Guangzhou and Shenzhen climbed by between 0.1% and 0.3% from July, while those in Shanghai stayed unchanged. New-home purchases by value rose 2.3% to CNY2.84 trillion in China in the first eight months of this year. In volume, they totaled 509.85 million sq m, 4.8% down from the same period in 2011.
- Despite fewer cities recording a rise in home prices last month, Beijing will expand a property tax trial in Shanghai and Chongqing to cover the whole country. The move is another sign that the government is determined to cool the housing market. In Shanghai, a 0.6% tax on second homes has been implemented, while Chongqing levies a 0.5% to 1.2% tax on new luxury properties. Other cities might impose their own property tax by the end of the year.
- Real estate prices in China are in no condition to rebound with the government firmly set to continue regulating the property market, said the Ministry of Housing and Urban-Rural Development. Despite a rise in sales in recent months, speculative buying is still under control, and both property prices and housing inventories have remained at a stable level, a Ministry official said. Property investment totaled CNY4.4 trillion in the January-August period, up 15.6% annually.
- Swire Properties plans to invest a further CNY12 billion in two joint-venture commercial developments, in Shanghai and Chengdu, over the next four years. "By 2016, our mainland portfolio will account for one-third of the group's total gross floor area," said Martin Cubbon, Swire's Chief Executive. Swire's mainland portfolio would increase to 13.5 million sq ft by 2016.
- A record 147 overseas projects from more than 30 countries and regions were presented at the 2012 Beijing International Property Autumn Expo. The expo also attracted around 180 domestic real estate projects, and is regarded as a barometer of the market. Occupying 32 booths at the expo, Cyprus was the most prominent foreign exhibitor at the event. A Chinese investor who purchases a property valued at €300,000 in Cyprus, can obtain the right to permanent residency within two months.

RETAIL

Top international retailers still bullish about China

Top international retailers still consider China as a top target market for future growth, as the population continues to become wealthier and people migrate in greater numbers to the bigger cities, according to the Global Retail Index, a survey carried out among 200 retailers worldwide, released at the World Retail Congress in London last week. However, Frank Wei, Managing Director of Warburg Pincus Asia, said foreign players now need to be more creative and innovative to succeed in China. Second- and third-tier cities should be targeted, he added.

- Home Depot, the world's largest home-improvement retailer, said it will close its remaining seven "big box" stores in China and focus on online sales and speciality stores. Over the past three-and-a-half years, the company had already closed 12 similar stores in China, the last of which was shut down in Beijing in January last year. Home Depot will keep its two so-called "speciality outlets" – a paint and flooring store, and a home decoration shop – in Tianjin. It is also in talks with several Chinese e-commerce websites to explore selling its products online.
- The Shanghai Bureau of Quality and Technical Supervision will impose a penalty on Bright Dairy after the company was found to have been putting a banned additive into a cheese product for babies for years. The additive — milk mineral — is not allowed for babies as it is a newly extracted compound that may have unproven effects. The cheese has been removed from store shelves.

SCIENCE & TECHNOLOGY

China sets goal to be innovative nation by 2020

A document released by the Communist Party of China Central Committee and the central government sets the goal for the country to be "in the ranks of innovative nations" by 2020 and make the country a technological power in 2049. China's research and development (R&D) funds nationwide should reach 2.2% of gross domestic product (GDP) during the 12th Five Year Plan (2011-2015), and more than 2.5% by 2020, the report said.

- More than 400,000 people took the national judicial examination at 13,000 centers around the country this weekend. The professional qualification for lawyers, judges, prosecutors and other related careers is one of the most exacting national tests, with pass rates often falling under 20%.
- College students in Wuhan can now postpone their studies to start businesses with the time spent translated into credits toward graduation. It is part of a 10-point plan by the city government to commercialize research and boost innovation at the state-level Donghu innovative intellectual property rights pilot area, said Mayor Tang Liangzhi. He called the policies "10 golden rules".
- A domestically-developed 3D printer for industrial use is in the works, while a personal 3D printer is also expected to be available in two or three years to make real models from designs on a computer, Chinese scientists said.

STOCK MARKETS

U.S. accounting inspectors to be allowed as observers in China

The U.S. Public Company Accounting Oversight Board (PCAOB) and Chinese government agencies have reached an agreement to allow American accounting inspectors to observe audit activities in China. Under Chinese law, it is illegal to remove audit work papers from the country and Chinese authorities do not allow non-Chinese regulators to conduct inspections in China. Since the latter part of 2010, when alleged financial frauds and accounting issues began emerging in small Chinese companies that are listed on U.S. stock exchanges, 67 China-based issuers have had their auditor resign and 126 companies have either been delisted from U.S. exchanges or have stopped filing regular reports with the Securities and Exchange Commission (SEC). The rise of "reverse mergers", in which a non-U.S. company acquires a U.S. shell company to gain a listing on a U.S. stock exchange, bypassing the regulatory scrutiny involved in a traditional initial public offering (IPO), has led to increased

scrutiny of the companies' auditors. Some short sellers have targeted these companies in part because they reckoned that their U.S. auditors were unable to properly monitor the companies' Chinese operations. The PCAOB wants to eventually be able to issue inspection reports on China-based audit firms that prepare or heavily participate in audit reports filed in the U.S. Nearly 5% of PCAOB-registered firms are based either in China or Hong Kong, comprising the largest group of non-U.S. firms, the Wall Street Journal reports.

- Hong Kong's Court of First Instance has fixed March 27 next year as the start of a hearing to rule on whether Ernst & Young can use state secrets as the reason for not handing in accounting records to the Securities and Futures Commission (SFC). The SFC wants the papers to assist in its investigation relating to Standard Water, which Ernst & Young helped to apply to list in Hong Kong in 2009.
- Shanghai stocks fell to their lowest level in 43 months after data that showed China's production activity shrank in September and also on concern an escalating dispute with Japan may hurt trade.

TRAVEL

Helicopter service to be launched in Yangtze Delta

Shanghai residents may be able to use helicopters with 4 to 8 seats to shuttle between neighboring cities under a plan released by the Ruohang General Aviation Group based in Nanjing. It would cost about CNY2,000 per hour for a passenger to take a helicopter to any of the four stops in Shanghai Songjiang district, Nanjing, Suzhou and Shaoxing, said Lu Yong, the company's Chairman. Approval from the Civil Aviation Administration of China (CAAC) is expected to take about a year. Two helipads have been built, in Nanjing and Suzhou, while the helipad in Shaoxing is under construction. Separately, a helicopter firm was also registered in Jingdezhen, Jiangxi province, with CNY50 million in registered capital.

- Shanghai's first direct railway line linking downtown to the city's outskirts using bullet trains will open to service by September 28. The Jinshan Railway Line was formerly designated as Metro Line 22 and runs from the Shanghai South Railway Station to Jinshan New Town on the city's southern outskirts. The 56-kilometer-long rail line has been financed and built by both the Shanghai city government and the Ministry of Railways (MOR). There will be two alternating operational modes, one non-stop and one that stops at stations. It is expected initially to carry 5,000 passengers a day.
- Visa agencies said that they have received no information that corroborates reports suggesting that China is suspending its issuance of "F" business visas. Those sorts of visas are meant for foreigners who are invited to the country to conduct business or attend trade fairs or exhibitions. They usually expire after six months. The rumors have given rise to concerns among foreign businesspeople in China.
- Shanghai's Minhang district plans to open its old industrial sites to the public as tourism spots that include the city's earliest machinery and aerospace equipment factories. "The 'old industry travel' plan is expected to revive the former glory of the area as well as help boost the tourism industry of Minhang," Guo Baoqiang, Deputy Director of the Minhang Economic Commission, told a press conference. It will also include the Shanghai Aerospace Museum.
- The Ministry of Railways (MOR) has ordered English words in station names, such as "east" or "west", to be replaced with their Chinese pinyin equivalents. For example, the station previously known as Beijing West will now appear as Beijingxi Railway Station on signs and tickets. Beijing's subway and bus companies will also implement the change. "From a linguistic point of view, I think it is a good idea," said Hu Xiemei, Associate Professor at the Beijing Normal University's Institute of Chinese Language and Culture. "When a foreigner speaks to a Beijing cab driver, 'Beijingxi' is more useful than 'Beijing West'."
- High-speed train services from Wuhan to Zhengzhou, the provincial capital of Hunan, will begin on September 28. Travel time between the two cities will be reduced from about 4½ hours to two hours. Ticket prices will range from CNY245 to CNY392.
- The old terminal building of Shanghai's Hongqiao International Airport, or Terminal 1, will be renovated to include a huge park. "It will be a completely changed set-up, with

budget hotels, shower rooms, more duty-free shops as well as Wi-Fi coverage,” said Jin Dexiong, Deputy Director of the Shanghai Airport Authority. It will become a living room of urban environment rather than just an airport, according to Sean Chiao, Executive Vice President of AECOM China and a senior urban planner.

VIP VISITS

Premier Wen attends EU-China Summit and visits Belgium

Chinese Premier Wen Jiabao attended the 15th China-EU summit in Brussels, while Minister of Commerce Chen Deming held talks with EU Trade Commissioner Karel De Gucht. Premier Wen said China is to maintain its efforts to help resolve the eurozone debt crisis, after months of investing in European sovereign bonds. “In the past few months China has continued to invest in bonds of European governments ... and discussed ways of cooperation with the ESM,” Wen said. “Europe is on the right track in tackling its debt issue,” he told a business summit. At the China-EU Summit, he demanded an end to a more than 20-year arms embargo and the lifting of tariffs on Chinese goods. Both sides signed a 49-point four-page agreement ranging from foreign policy issues to mutual agreements to increase research and development (R&D), and creating tens of thousands of student scholarships. President of the European Council Herman Van Rompuy called for improved trade with China. “We can and have to do more in opening our markets and guaranteeing a level playing-field for everyone,” he said.

The Chinese Premier also paid an official visit to Belgium. China and Belgium should remain committed to keeping their markets open and jointly resist all forms of protectionism, Premier Wen. China is trying to reverse the European Union’s decision on September 6 to launch an anti-dumping investigation over Chinese solar panels. The case involves more than USD20 billion in Chinese exports, the biggest so far. During his talks with Belgian Prime Minister Elio Di Rupo, Wen said that in view of the current unfavorable global economic conditions, China and Belgium should “remain committed to keeping their markets open and jointly resist all forms of protectionism”. It was Wen’s third visit to Belgium during his premiership. In 2011, bilateral trade rose to USD29.1 billion, a surge of 31.5% compared with 2010, the China Daily reports. Belgium took the lead among industrialized European countries in forging diplomatic ties with China in 1971, the newspaper wrote.

Chinese Ambassador to Belgium Liao Liqiang said ahead of the visit that as “the heart and gateway of Europe”, Belgium has enjoyed its “special status and influence” within the EU and on the global stage, and Beijing has long recognized that. He said Beijing attaches great importance to the political influence and outstanding competitiveness of Belgium, which ranks 21st in terms of economic clout in the world with a population of 11 million. Liao said Belgium is a major “supporter, actor and exporter” of ideas and the brains behind European integration. He added that over the past decades Belgium has placed great strategic importance in developing relations with China. Belgium was also among the earliest investors in China. “Among the Western European countries, Belgium was the first to offer governmental loans to China, the first to transfer high-tech applications to China and the first to set up an industrial cooperation fund with China,” said Liao.

U.S. Defense Secretary visits PLA Navy's Northern HQ

U.S. Secretary of Defense Leon Panetta met in Beijing with Chinese Vice President Xi Jinping and his Chinese counterpart Liang Guanglie. Panetta invited China to participate in the RIMPAC 2014 exercise, the world’s largest international maritime exercise. Panetta said the U.S. intends to establish a relationship with China that is healthy, stable, reliable and continuous. Discussed were U.S. arms sales to Taiwan, the shift in U.S. strategic focus to the Asia-Pacific and cyber-security. Washington will not take sides over the Diaoyu islands dispute and urges a peaceful resolution amid escalating tension, Panetta said in Tokyo before arriving in Beijing. He also added that the U.S. commitment to Japan, in the form of a mutual defense treaty, was “longstanding, and that does not change”. Panetta became the first Pentagon chief to visit the People’s Liberation Army Navy’s Northern Fleet Headquarters in Qingdao and touring the conventionally powered Great Wall 197 submarine.

- Chinese Foreign Minister Yang Jiechi will lead the Chinese delegation to the UN General Assembly this week. Yang and his Japanese counterpart, Koichiro Gamba, would try to make a commitment to improve strained relations to facilitate further

dialogue.

- Vice President Xi told Philippine Interior Secretary Mar Roxas that tensions between the two countries had “eased” after a territorial dispute flared up over Huangyan island, also known internationally as Scarborough Shoal and as Panatag Shoal in the Philippines. Xi made the remarks during the Asean-China Expo fair in Nanning, Guangxi.
- China signed 16 agreements with Sri Lanka, ranging from visa exemption and marine development to economic and technology cooperation, and promised to expand investment and increase imports. Chinese banks will also offer loans to some major infrastructure projects in Sri Lanka. Sri Lankan President Mahinda Rajapakse and Chairman of China's National People's Congress (NPC) Wu Bangguo, witnessed the signing ceremony of the agreements in Colombo. Sino-Sri Lankan bilateral trade volume reached USD3.14 billion in 2011 — up 49.8% year-on-year, according to China's Ministry of Foreign Affairs.

ONE-LINE NEWS

- Anhui's capital, Hefei, has beat out 32 other cities to be named the happiest in China, according to a survey by the Beijing-based China Public Economy Institute and the Chinese Academy of Governance. The city's ranking was driven up by low- and middle-income residents who scored an 80 out of 100 on the researchers' “happiness index”. The city's wealthy scored a 20.
- Wang Lijun, former Vice Mayor and Public Security Director of Chongqing, was sentenced to 15 years in prison by the Chengdu City Intermediate People's Court for for bending the law for selfish ends, defection, abuse of power and bribe-taking.
- There are 332 skyscrapers – buildings higher than 152 m – under construction in China, with an additional 516 in the pipeline, compared to only 6 under construction in the U.S., with another 24 in the planning stage.

QUOTES OF THE WEEK

“Business is business. It should not be politicized. If we politicize all this, then we can't do business. We are not coming to control your resources.”

China's Ambassador to Canada Zhang Junsai, on CNOOC's takeover bid for Nexen, quoted in the South China Morning Post, September 24, 2012.

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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>

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