法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 1 OCTOBER 2012

FCCC ACTIVITIES

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.

Conference: "How and how *not* to do business in China" – Tuesday, 30 October 2012, 3.00 p.m. – Gent

The Flanders-China Chamber of Commerce (FCCC) is organizing a conference on "How and how *not* to do business in China". Highly experienced experts and business leaders will share their knowledge and expertise based on their achievements in China.

The conference will take place at 3 p.m. on 30 October 2012 at the House of the Province of East Flanders, Seminariestraat 2, 9000 Gent.

Programme:

3.00 p.m.	Registration
3.30 p.m.	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
3.35 p.m.	Successful sales and marketing strategies in China by Mrs Kristina Koehler, Director Klako Group Shanghai
4.00 p.m.	Entering the China market. 13 years of experience in 5 stories by Mr Dirk Laeremans, General Manager, Orientas Consulting
4.30 p.m.	Experience of the start-up of a wholly foreign owned enterprise by Mr Stefaan Depecker, Commercial Director, Proviron
4.50 p.m.	Question and answer session
5.30 p.m.	Networking drink

If you wish to attend this interesting conference, please register online before 23 October 2012.

The participation fee for members of the FCCC is €65. The fee for non-members is €95.

OTHER ACTIVITIES

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.

ICC IP Commission Conference – 26 October 2012 – Beijing

The International Chamber of Commerce's Intellectual Property Commission is organizing, jointly with the China Council for the Promotion of International Trade (CCPIT) / China Chamber of International Commerce (CCOIC), a conference on 26 October in Beijing.
This conference will address the theme of "Increasing economic and business competitiveness using intellectual assets".

The programme is available in English and Chinese at http://www.iccwbo.org/Training-and-Events/All-events/Events/Intellectual-Property-Conference-in-Beijing/
and will include both Chinese and international speakers on topics including:

- the importance of IP in the economic and trade strategies of countries
- the strategic importance of IP for businesses
- the challenges of protecting different types of technologies through patents and trade secrets
- key licensing issues, including in standard setting
- brand protection on the internet

The conference will be held at the Intercontinental Hotel Financial Street in Beijing at 11 Financial Street, Xicheng district and attendance is without charge.
(http://www.ichotelsgroup.com/intercontinental/en/gb/locations/beijing-financialstreet)

PAST EVENTS

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

To mark the visit of the Party Secretary of Weihai and his delegation, the Flanders-China Chamber of Commerce (FCCC) organized an information meeting on 24 September in Ghent.

The Party Secretary of Weihai, Mr Sun Shutao, and representatives of the Weihai Investment Bureau gave 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 was accompanied by leading entrepreneurs from Weihai, who wished to get acquainted with our business environment and to find potential partners. In May 2012, the FCCC organized a successful visit with Flemish companies to this dynamic city.

The Vice Governor of the Province of East-Flanders, Mr Marc De Buck, welcomed the Weihai delegation. Mrs Gwenn Sonck, Executive Director FCCC, introduced the assets of Flanders to the delegation.

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.

The meeting was organized with the support of Flanders Investment and Trade. The investment guide can be obtained at the FCCC. Letters of intent for further cooperation between members of the delegation and member companies have also been signed.

The Weihai investment guide can be obtained by sending an e-mail to the FCCC.

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.europeanchamber.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

MEMBERS' NEWS

HNA Group receives charity award for helping cataract patients

The HNA Group, the parent company of Hainan Airlines, received a 2012 South-South Award for offering financial aid to underprivileged Chinese and African cataract patients who needed eye surgery in the past eight years. The company was presented the award in New York on September 23 for its Brightness Action, a 10-year charitable program the company launched with Beijing Tongren Hospital in July 2004 to tackle avoidable blindness. So far, more than 3,000 cataract patients from Qinghai, Gansu, Tibet, Inner Mongolia and Xinjiang have received operations to regain their sight. In 2010, more than 1,400 people in Zimbabwe, Malawi and Mozambique, had their eyesight restored thanks to the program. “While pursuing development, we’ve always been trying to give back to society and take on social responsibilities,” said Chen Feng, HNA Group Chairman, at the awards ceremony. Since its establishment in 1993, HNA has expanded its business and diversified in aviation, tourism, logistics and financial services. “The group has made USD115 million worth of charity donations to programs like Brightness Action, Wings of HNACaring for Children Summer Camp, Hainan-New Year Festival, and HNA Hainan Island Scholarship,” Chen added. The 2012 South-South Awards, originated by UN-affiliated digital media platform South-South News, were co-organized by the International Telecommunication Union (ITU) and the UN World Tourism Organization, among other groups, the China Daily reports.

FINANCE

Ping An files arbitration claim against Belgium over investment loss in Fortis

Ping An Insurance (Group) has filed an international arbitration claim against the Belgian government in an attempt to recover losses from investments in Fortis. A Spokesman for Ping An said the insurer had tried to negotiate compensation for investment losses through different channels but failed to come to an agreement. “The Belgian government's misconduct towards Fortis in 2008 violated the legitimate rights and undermined the interests of Fortis' investors. We have no alternative but to defend Ping An's rights through legal action,” the Spokesman said. No details about the compensation claim were disclosed. Ping An wrote off about 95% or CNY22.8 billion of its investment in Fortis. Ping An was the largest shareholder in Fortis and rejected the state-organized break-up of Fortis at a shareholders' meeting in 2009. Ping An said at the time that “the dismantlement of Fortis, which was not approved by shareholders, violates corporate governance procedures and destroys shareholder value”, the South China Morning Post reports.

Foreign banks outpaced domestic rivals in 2011

Foreign banks in China made an extraordinary turnaround in 2011 as their performance outpaced their domestic counterparts, according to a report by auditor KPMG. Net profits of foreign banks in China grew by 109% last year, with interest income up by 57%, and non-interest income gaining 27%. Most foreign banks did well last year and saw profits reach record levels, said the report, which surveyed 197 banks that represent 88% of all banking assets in China. The surge in profits was in large part due to net interest income both in terms of volume and margin, and improved performance in the global markets and treasury business lines, as well as increased activity in bond and foreign exchange trading, KPMG said. Banks in China, including both foreign and domestic ones, reported a 39% increase in profits last year, according to data from the China Banking Regulatory Commission (CBRC). Interest income growth among foreign players was driven more by an increase in net interest margin than by loan growth, which was only 6% from 2010 to 2011. The average cost income ratio at the 32 foreign banks that released the information went down from 66% in 2010 to 52% in 2011. Foreign banks' assets expanded 24% in 2011, compared with the 18% average growth of the overall sector. Foreign bank assets now account for 1.95% of total banking assets in China, up from 1.87% in 2010. Total deposits increased 24% from 2010 to 2011. Total non-performing loans (NPLs) at the 20 foreign banks that disclosed such figures for both years are down 9%, leading to an NPL ratio of 0.24%, well below total sector averages. “In the two to three years prior to 2011, the banks had invested significantly ... and last year they started to see the beginning of the return on that investment,” said Simon Gleave, Regional Director of Financial Services at KPMG. The KPMG report also said that “China is still a challenging environment, and increasingly conservative regulation from the CBRC is impacting both foreign and domestic banks alike", the Shanghai Daily reports.

Chinese banks now prefer smaller clients

Faced with shrinking profit margins, some Chinese banks are turning away from funding big infrastructure projects to focus on smaller clients who they can charge higher interest rates, bankers say – a fundamental shift in business strategy. Funding big state-owned firms and big government infrastructure projects is the traditional lifeblood of China's government-controlled banks, whose profits enjoy additional protection from the country's managed interest rate system. But earlier this year, China started freeing up its interest rates market to force banks to compete harder for clients and reduce their guaranteed profits. The changes made doing business with big state clients less lucrative for banks as those powerful borrowers pay minimum interest rates at a time when banks are being pressured by slowing profit growth as the economy cools. "Interest rates for loans to big clients are low, but capital usage is high. It's not worth it," said a senior executive at Bank of China (BOC), the country's fourth biggest bank. That some banks are shying away from infrastructure deals is not surprising: banks were burnt in 2008/09 when they lent CNY10.7 trillion to local Chinese governments to build roads and railways, only to find most loans could not be repaid on time and must be restructured. Still, it remains to be seen if banks, majority owned by the government, will enjoy much success in pulling away from state-directed infrastructure projects, especially as the government is accelerating USD150 billion in spending on roads and railways this year to revive the economy. Of China's five largest banks, only the China Construction Bank (CCB) and Bank of Communications (BoCom) have faster growth rates in mid- to long-term infrastructure loans, interviews with half a dozen bankers showed. Other banks are busy expanding their off-balance sheet businesses to boost fee income and make up for narrowing net interest margins, a banker at a joint-stock Chinese bank said, as reported by the South China Morning Post.

- Mooncakes of pure gold are being sold in Shanghai at CNY16,000. The cakes weigh 32 grams. China celebrated the Mid-Autumn Festival on September 30. Analysts say the gifts have little investment value, as their prices are higher than the market value of gold – CNY360 per gram in China.
- The People's Bank of China (PBOC) added a record CNY290 billion to the financial system using reverse-repurchase agreements, seeking to address a cash squeeze in the run-up to the week-long Mid-Autumn Festival and National Day holiday. September 25's total was the highest for a single day in Bloomberg data going back to 2004. The central bank kept the yields on 28- and 14-day reverse repos unchanged at 3.6% and 3.45%, respectively.
- The Chinese yuan has been ranked as the world's 14th payments currency by SWIFT with a market share of 0.53% in August this year. In January, the yuan was ranked as the world's 20th payments currency with a market share of just 0.26% in international trade. This means that the yuan's use in international trade has significantly improved in the first eight months of 2012. Overall, the yuan's use worldwide grew by 15.6% between July and August this year, compared with an average 0.9% decrease in the use of all currencies over the same period.
- Turkey's Akbank TAS and Bank of China (BOC) have set up a joint China desk at the Istanbul-based lender to provide financial services such as those related to foreign trade, yuan transactions, treasury products and structured finance to around 450 Chinese firms in Turkey.

FOREIGN INVESTMENT

One-third of Taiwanese firms in China face closure

One in every three Taiwanese companies based on the mainland are facing closure this year due to rapidly decreasing profits, and another 30% are also "struggling", according to Tsai Der-sheng, Director of Taiwan's National Security Bureau. "There is both risk and opportunity to invest in China. However, we cannot deny the benefits of economic exchanges between Taiwan and China despite the growing risks," he added. Taiwanese firms have been facing rising labor costs on the mainland since 2008 under new rules requiring fewer working hours and higher pay, according to a report by the Bureau. Despite lingering tensions, Taiwan invested more than USD100 billion and technological know-how on the mainland in recent years. Last year, the island's authorities approved 575 mainland-bound investment cases totaling USD13.1 billion, officials said.

2012 is golden year for Chinese ODI

Du Liang, Director of the China Entrepreneur Research Institute, said in Frankfurt that from January to July this year, overseas investment by Chinese companies reached USD42.2 billion, a 52.8% growth year-on-year. The latest Ministry of Commerce figures showed that Chinese investors have expanded their businesses into 2,407 companies in 117 countries and regions worldwide from January to July, as total outbound direct investment (ODI) – excluding finance – hit USD42.2 billion during this period. During the first half of the year, there were 117 merger and acquisition (M&A) deals conducted by Chinese investors overseas, worth a total of USD30 billion. The Institute also compiled a top 50 list of the most internationally ambitious Chinese enterprises, according to their overseas strategies, corporate governance provision, supply chains, capital flows, brands, R&D, social responsibility activities, and profits. The top five were Lenovo Group, Huawei, Haier Group, CNOOC and Sinopec Group. The Institute found that the most common sectors involving overseas Chinese investment were energy and mineral mining, information technology, and household appliances, while the agriculture and medical sectors were highlighted as the least outward-looking. The Institute also unveiled China's top 10 M&A deals during the January-August period, the biggest being CNOOC's USD15.1-billion takeover of Canada's Nexen in August, the China Daily reports.

- The Shanghai municipal government presented its highest expatriate honors — the Honorary Citizen of Shanghai and Magnolia Gold Award — to 14 foreigners in recognition of their contributions to the city's social and economic development. No Belgians were among the laureates. Mayor Han Zheng offered the Honorary Citizen title to Vicente Gonzalez Loscertales of Spain, Secretary General of the Bureau International des Expositions, and to Noyan Rona of Turkey, Chief Representative of the Turkish Garantibank Shanghai Representative Office. Thus far, 35 foreigners have been named an Honorary Citizen.
- China Investment Corp (CIC) is considering investing in Tasmania's dairy industry, according to the Premier of the Australian state, Lara Giddings. The Australian Financial Review reported that CIC executives visited Tasmania in September and inspected Van Diemen's Land Co's Woolnorth station, Australia's largest dairy farm, and other dairy operations owned by Little Lion, which are currently on the market for about AUD80 million.
- Turkey's Hattat Holding and China's Harbin Electric will invest USD250 million to build a factory in northwest Turkey's Tekirdag province to manufacture power plant equipment such as boilers, generators and turbines. The plant, which will employ about 2,000 people, is designed to lessen dependence on foreign produced equipment in Turkey.

FOREIGN TRADE

Expanded Canton Fair to open on October 15

The 112th China Import and Export Fair, also known as the Canton Fair, will be held from October 15 to November 4 at the China Import and Export Fair Complex in Guangzhou. The Canton Fair has been held twice yearly in Guangzhou every spring and autumn since 1957. The scale of this year's fair has been expanded to a total of 59,400 standard booths including 58,500 export booths, which are distributed among 50 pavilions according to 15 product types, and the gross import pavilions cover an area of 20,000 square meters. Eight sections are designed to attract investment from 23 countries and regions, including traditional markets in the United States and Western Europe as well as emerging markets in Africa, Eastern Europe and South Asia. More than 1.3 million buyers have been invited from these regions. The 112th Canton Fair focuses on environmental protection, high technology as well as products with distinctive local characteristics. Specialties of countries such as Germany, France, Spain and Italy will also be a highlight. The fair will also host a design exhibition, five theme forums and the International Market Forum, the theme of which is grasping opportunities in Brazil. To date, 42 design institutions from 10 countries, such as Italy, the Netherlands and the United States, have applied to participate in the design exhibition. The 112th Canton Fair is emphasizing brand strategy, which is exemplified by more than 11,800 brand booths, accounting for 20% of the total, the China Daily reports.

Customs administrative fees to be suspended

China will cancel or suspend customs administrative fees from October 1 in an effort to stabilize trade, which has been hit hard by the European debt crisis and the slowdown in domestic economic growth. In addition, inspection and quarantine fees for goods shipped across the border and the vehicles carrying them would be suspended in the fourth quarter. Other measures include expanding tax rebates for exporters, cutting financing costs for companies and widening the coverage of export insurance. The Customs Bureaus charge supervision fees ranging from 0.15% to 0.3% of the import value of goods, based on the CIF price, which includes freight and insurance costs. Inspection and quarantine fees range from 0.067% to 0.15% of the goods' value. Fees vary by type of cargo vessel. Removal of the customs fees would save exporters and importers an estimated CNY3.5 billion. Ministry of Commerce Spokesman Shen Danyang warned this month that external demand might cool further, making it more difficult to meet the goal of expanding imports and exports by 10% this year.

U.S. imposes large fine on Chinese cotton trader

The U.S. has imposed a landmark fine for excessive speculation in the benchmark cotton futures market on a Chinese company. Shanghai-based Sheenson Investments and its founder Ge Weidong, a former trader at COFCO, have agreed to return USD1 million in ill-gotten gains and pay a USD500,000 civil penalty for exceeding federal limits on speculative bets in soybean oil and cotton futures, the U.S. Commodity Futures Trading Commission (CFTC) said. It is the Commission's biggest-ever “disgorgement” agreement associated with position limits and among the biggest civil fines, according to a review of a dozen such enforcement measures since 1995. It is the first against a Chinese firm. Cotton prices on the Intercontinental Exchange surged by more than a third in two months to reach a post-Civil War high of USD2.27 by early March 2011 – just a few weeks after the CFTC told Ge’s firms to reduce its position. With his ownership in Sheenson and a Hong Kong-based fund group called Chaos Investment, Ge had amassed a position across the market as large as 5,389 lots, about 8% larger than the federal limit, the CFTC said. That would have had a notional value of over USD510 million as of February 10, 2011, based on the front-month price on that date. His position in a single-month cotton contract ran as high as 4,099 lots, more than 17% beyond the maximum allowed for speculation, the CFTC said. Ge exceeded the limits on every day between January 6 and February 11, 2011. At their peak, Ge and his firms’ position was equal to more than one-eighth of total fund investments in the cotton futures and options market, based on separate CFTC data that put total ”managed money” holdings at just over 40,000 lots.

- The Hong Kong government said its first free trade agreement with European countries belonging to the European Free Trade Association (EFTA) would take effect starting on October 1, opening up business opportunities and cutting prices of imports. The pact, signed last year, will cover investments as well as trade in goods and services. The accord will come into effect on October 1 with Iceland, Liechtenstein and Switzerland, and a month later with Norway.
- The United States set preliminary anti-dumping duties ranging from 54.25% to 76.53% on stainless steel sinks from China. Elkay Manufacturing in March accused its Chinese competitors of selling the sinks in the United States at unfairly low prices. It was the U.S. Commerce Department’s second round of duties on stainless steel sinks. In July, it set preliminary countervailing duties ranging from 2.12% to 13.94% to offset Chinese government subsidies. Since taking office in 2009, the Obama administration has imposed about 40 anti-dumping and countervailing duties on Chinese goods.
- The EU will investigate whether China is circumventing the 48.5% anti-dumping tax on ibikes exported by transshipment via Indonesia, Malaysia, Sri Lanka and Tunisia. The tax, which has been in place for 19 years, was extended in 2011 for the next five years as bike manufacturers in the EU still accused China of selling bikes at below-cost price.
- China’s sugar consumption is expected to reach 2.21 million tons by 2020 and the country may overtake the European Union to become the second-largest sugar user,

said Peter Baron, Executive Director of the International Sugar Organization. India will remain the largest consumer of sugar, using 3.27 million tons annually. The Ministry of Commerce (MOFCOM) announced that sugar import quota for 2013 will remain unchanged from this year at 1,945,000 tons. China's sugar imports reached 2,425,800 tons from January to August, a 102% year-on-year increase, and sugar exports reached 33,518 tons in the same period, a 23.87% year-on-year decrease.

MACRO-ECONOMY

Some of China's richest see their wealth drop

Beverage tycoon Zong Qinghou, 67, has regained his 2010 title of wealthiest individual on the Chinese mainland from heavy machinery magnate Liang Wengen, who has dropped to fifth place on the 2012 Hurun Rich List. Zong, Chairman and CEO of the Hangzhou Wahaha Group, and his family possess wealth of USD12.6 billion, 18% more than last year. Liang's fortune dropped 34% from last year. 469 of the 1,000 richest people on the Chinese mainland saw their wealth shrink, including 37 losing more than 50%, the Hurun Research Institute said. The cut-off point to make the list fell 9% from last year to USD290 million. Average wealth shrunk 9% to USD860 million while the number of dollar billionaires dropped from 271 to 251, but still sharply up from 2006, when there were just 15. "Although this year has seen some significant wealth bloodletting, it is worth remembering that these entrepreneurs are still up 40% (in wealth) on two years ago and almost 10 times 10 years ago," said Rupert Hoogewerf, the Hurun Report's Chairman and Chief Researcher. Solar energy, textile and retail industries took the brunt of the losses, while entertainment, information technology, natural gas, and property development remained as top money-earners. However, property lost its spot as the biggest source of wealth for the first time since the list began in 1999. The industry accounted for only 19.8% of the individuals on the list, trailing the 20.1% taken by manufacturing. Real Estate tycoon Wang Jianlin, 58, is second on the list with USD10.3 billion. Robin Li, 44, Founder and Chairman of Baidu, ranks third again with USD8 billion. Beijing holds a lion's share in the rich club, with 123 on the list, up 12 from last year. Shanghai snatched back second place from Shenzhen, with 80 individuals. Wu Yajun of Longfor Properties – eighth on the list – is China's richest woman for a second year with a fortune of USSD6 billion, the Shanghai Daily reports. Shi Zhengrong, Founder and Chairman of the solar company Suntech Power Holdings Co saw his personal wealth drop from last year's USD1.1 billion to USD470million as his company's share price collapsed by 90%.

Manufacturers and retailers less optimistic

Chinese manufacturers and retailers are less optimistic about sales than they were three months ago, and more firms are cutting jobs, according to the China Beige Book (CBB). After interest rates were cut in June and July, fewer companies borrowed money despite easier credit from banks, said CBB International, the New York-based research firm that conducted the survey. It was based on interviews with more than 2,000 executives and bankers. The findings contrast with the CBB for the previous quarter, which said it found a rebound not reflected in official statistics. Manufacturing was the area with the biggest declines in companies reporting higher revenue, down 20 percentage points to 43%, and higher output, down 15 points to 47%. Respondents expecting higher sales in six months dropped 18 points to 53%, and those expecting declines doubled to 20%, CBB said. In the retail sector, 58% of respondents reported higher sales, down 10 percentage points from the second quarter. The number of companies reporting net hiring gains this quarter fell nine percentage points to 32%, while those cutting employees rose to 20% from 13%, CBB said. While half of bankers reported greater credit availability, up 10 percentage points, companies reporting borrowing dropped 9 points to 34%, the South China Morning Post reports.

China must boost productivity, says Ernst & Young

China must boost its productivity if it hopes to achieve sustainable growth in the face of rising labor costs in the long term, as the country approaches what economists refer to as a "Lewis Turning Point", Ernst & Young said. The average labor cost in China has nearly doubled in the past five years, going from less than CNY25,000 a year at the beginning of 2007 to more than CNY40,000 a year in 2011. "Wages have been pushed up by long-term decline in the aggregate labor force, combined with a rapid depletion in rural surplus labor, which has until recently provided an ultimate source of cheap labor," said the report. It warned that the massive reallocation of labor "from low productivity agriculture to higher productivity manufacturing is coming to an end". The latest E&Y report said the number of migrant workers in China has been increasing at a slower pace since 2005. It added that although there are 320 million laborers still in agriculture, only 20 million have the potential to migrate to cities, pushing the country to a point at which "the excess labor in the subsistence sector is fully absorbed into the modern sector, and where further capital accumulation begins to increase wages" — pointing to a classic Lewis scenario. Simon Benjamin, Partner with E&Y advisory services, said the labor shortage is not yet a major problem in China, as there are still measures the government can take to free up the pool of rural labor, such as the further easing of the household registration system. "However, these are unlikely to reverse the trend of increasing labor costs," he said. On top of the 13% annual increase in the minimum wage as set in the 12th Five Year Plan (2011-15), mandatory social welfare will add another 35% to 40% to the payroll cost. Apart from labor, capital will also become more expensive as policymakers move the country toward interest rate liberalization, the report said. Material costs, too, will continue to rise and will reach global levels, it added. Commodities prices in China have increased 51% in the last five years, and energy prices were up 77%. As the economy slows down, it has also become harder and harder for companies to pass on the costs to customers. A new E&Y survey of more than 200 multinational companies in China showed that 85% of the respondents said they could only pass less than a third of their own rising costs onto their customers, the China Daily reports.

- Sichuan province will invest CNY3.67 trillion in 2,242 projects by 2013, becoming the biggest investor among regions in the country under a new wave of local stimulus packages. The province will encourage private capital to fund these projects, as local governments might have difficulties financing them with land revenues down 28% year-on-year in the first half of this year. Tianjin has a CNY1.5 trillion program to build 10 industrial sites before 2016, while Chongqing will invest a similar amount in large projects through 2015. Guangzhou, Changsha, Ningbo and Nanjing have also similar programs.
- Gansu has increased its investment in heavy industry, and the province saw a 14% growth in industrial output during the first eight months of the year. Mineral, oil, and gas mining have contributed nearly 80% of the industrial growth, though other sectors have suffered various declines. However, Gansu is one of the driest provinces in China, and the development of heavy industry has resulted in considerable water use, which has reduced water supplies for drinking and agriculture.
- Bank of China (BOC) predicted China's economic growth will reach about 8% this year, higher than the government's target of 7.5%. BOC forecast the central bank will cut banks' reserve requirement ratios once or twice more this year but said interest rate cuts will be less likely.
- After three decades of spectacular growth, Guangdong's boom town of Dongguan is on the brink of bankruptcy. Up to 60% of its villages are running up deficits and will soon need a bailout from the township, researchers at Sun Yat-sen University have discovered. Dongguan was once one of the richest cities in China. Experts have found Dongguan's village debt woes stem from two factors: dependance of village authorities on rent collection as their main income source, and political pressure on local village chiefs to pay generous "dividends" to voters under the immature rural election system.
- The HSBC China Manufacturing purchasing managers index (PMI) showed overall factory activity shrank for an 11th consecutive month in September, despite the 47.9 final index level being slightly ahead of a preliminary, or flash, estimate of 47.8 and the August reading of 47.6. It extends the longest run of readings below 50, which separates expansion from contraction, in the survey's eight-year history.
- The profits of China's industrial companies declined at their sharpest pace this year in August, the National Bureau of Statistics (NBS) said. Net earnings fell 6.2% from a year earlier to CNY381.2 billion. In the first eight months, earnings declined 3.1% to CNY3.05 trillion, a sharp drop from last year's 25.4% rise. "Slowing external demand and insufficient policy support are two major risks that could further delay the modest growth recovery that people expect in the third quarter," said Barclays Economist Chang Jian.
- Confidence among small businesses in China declined in the third quarter due to slower domestic growth and the tougher international trading environment, Standard Chartered Bank said in a report. An index measuring confidence among small and medium-sized enterprises dropped 7.44 points quarterly to 46.71 points, the bank said

after surveying more than 1,000 SMEs nationwide. About 40% of respondents said they are not positive about the economic outlook.

PETROCHEMICALS

CNOOC's takeover of Nexen still unsure

CNOOC may need to boost investments in Canada to secure government approval for its USD15.1 billion takeover of Nexen. Two key areas of negotiation will probably be capital spending and employment, said a person with knowledge of the talks. The state-owned oil producer might also be asked to accept conditions regarding transparency and financial disclosure. Canada's Industry Minister Christian Paradis is reviewing the bid under its law governing foreign takeovers. Some of Canada's top executives are urging their government to approve CNOOC's takeover. The government probably would permit the USD15.1 billion bid, given the small share of Nexen's assets based in Canada and the need for the nation to deepen ties with China, Jim Prentice, Vice Chairman of the Canadian Imperial Bank of Commerce, said in Ottawa. Canada would probably be more reluctant to approve the takeover if CNOOC were attempting to acquire Suncor Energy, Canada's largest energy company, said former Industry Minister John Manley. "If it were Suncor, you would have a different set of questions being asked, simply because of its scale and its importance in the Canadian context," Manley said. Meanwhile, CNOOC has sent documents to banks containing proposed terms for a USD6 billion loan to finance the bid for Nexen, which would be the biggest overseas takeover by a Chinese company. Citigroup is CNOOC's financial adviser. The deal still needed approval from Canadian, U.S. and British authorities.

REAL ESTATE

CDG Retail to build more shopping centers in China

CDG Retail, a retail-focused developer and asset manager, is building more shopping centers in China despite the economic slowdown. "This is the world's largest expansion of shopping malls ever," said Founder and Chief Executive Timothy Daly. CDG is developing 12 projects totaling 1.2 million square meters across the country, and an additional 800,000 sq m of developments are expected to begin next year. Retail sales in China topped CNY18.1 trillion last year, up 17.1% from 2010 and a more than five-fold increase from 2000. French-based retailer Auchan has signed strategic partnerships with CDG to open eight hypermarkets in the group's developments. The group's shopping centers, now under construction at a total investment cost of about CNY8 billion, are in 12 key second and third-tier cities including Wuhan, Kunming, Changzhou and Yantai. Top domestic commercial property developers Dalian Wanda and Powerlong Real Estate Holdings are also stepping up their expansions, banking on the fast-growing consumer market.

Beijing site sold for highest price this year

A Beijing commercial site sold for CNY3.42 billion, the highest price in the city this year, just days after tenders for 10 commercial and residential sites were suspended. Beijing-based developer Financial Street Holdings beat two rivals to win the site in Xicheng district with the second-highest bid of CNY30,429 per square meter. The price is about 2% higher than the opening bid of CNY3.36 billion. Meanwhile, the Beijing Lands Reserve Center suspended the tenders of 10 sites to "stabilize the market" and "follow the policy of the central government's Ministry of Land and Resources". The fact that the city is selling commercial sites at year-to-date high prices despite trying to tame speculation by suspending tenders for other sites highlights the dilemma it faces. The16,200 sq m site, on Yuetan South Street, close to Beijing Financial Street, could support a commercial project with sport facilities, with a total gross floor area of 112,550 sq m. "The demand for office space in Beijing is very strong, but supply is tight," said Alan Chiang at DTZ. "Office rents jumped more than 30% last year." Chiang added it would be easier for purely commercial sites to get approval to sell, "but the central government doesn't encourage the sale of residential sites, which would affect the residential market".

- Income from land sales in China's 10 major cities jumped 14.4% to CNY40.9 billion in August from July, according to statistics from Homelink. Meanwhile, floor space sold in the past month also increased by 30% in those cities. Despite the signs of a warming market, industry insiders said a big home price hike is not likely, especially in second-tier cities. Compared with 2007 or 2010, self-use buyers now dominate the market because of the policy to restrict the amount of homes a family can purchase. They are more sensitive to price changes and their purchasing power is not as strong as investment-oriented buyers.

- Longfor Properties beat two other bidders, including China Vanke, to win a residential site in Beijing for CNY1.47 billion, about 8.7% above the opening bid, in a government land auction. The site allows a total gross floor area of 66,293 sq m.
- Guangzhou is the first city to impose restrictions on developers pre-selling homes at “unusually high prices”. The move is in line with the central government's policy of regulating home prices to ensure healthy development of the housing market, the Municipal Land Resources and Housing Administrative Bureau said. It did not identify the projects, define “unusually high prices” or give details of the restrictions. The government only allowed a third of units eligible for pre-sale to be brought to market, media reports had said.
- The controlling shareholder of Frasers Property (China) has agreed to sell 56.05% of the firm's issued share capital to Famous Commercial, a company incorporated in Hong Kong and a wholly-owned subsidiary of Gemdale Corp, in a deal worth about HKD1.65 billion. The offer represents a premium of 14.7% over the last trading price of HKD0.37 before trading was suspended on September 17 pending the release of the announcement. Gemdale, which is listed on the Shanghai Stock Exchange, is primarily engaged in the development and operation of properties in China. The developer has diversified into 20 cities.
- Shui On Land announced it would add a 500,000 sq m commercial complex to its Rui Hong Xin Cheng residential project in Shanghai. The plan to incorporate the commercial complex will transform Rui Hong Xin Cheng, a residential complex that Shui On launched in 1997, into a residential-commercial project. The project will be completed in eight to 10 years. Shui On also said it would develop an additional 120,000 sq m of residential space in Rui Hong Xin Cheng. The project will cover a total of 1.7 million sq m following the expansions.
- Yuexiu Real Estate Investment Trust plans to raise about USD415 million through a placement to finance its acquisition of the Guangzhou International Finance Center. In May, Yuexiu Reit said it planned to acquire virtually all of Tower Top, a sister company, for CNY8.85 billion from Yuexiu Property. Tower Top indirectly owns 99% of Guangzhou IFC. One of the tallest skyscrapers in the world, Guangzhou IFC is a mixed-use commercial development with a total gross floor area of 457,357 sq m. It comprises a six-story shopping mall, a 58-story grade-A office building, a five-star hotel, a luxury serviced-apartment tower, and a 1,700-space car park.

RETAIL

Suning Appliance acquires Redbaby

Suning Appliance, China's largest electrical appliance retailer, has bought Nanjing-based Redbaby, a leading e-commerce seller of maternal and baby products for USD66 million, taking it one step closer to its goal of becoming the country's answer to Walmart and Amazon. Suning hopes the deal will help it boost its female customer base, enrich its product mix and achieve its annual online sales target of CNY20 billion. It achieved only CNY5.3 billion in sales in the first half due to intense market competition and the sluggish economic environment. The company will soon open shops in Beijing, Shanghai, Guangzhou and Nanjing to showcase the new product mix, which has been extended from electrical appliances to video games, financial services, car products and gymnastic equipment. The new shops, to be called Expo outlets, will be increased to 300 by 2015. Meanwhile, Suning is also testing the water in other areas of the retailing sector through Japanese home appliance brand Laox, in which it acquired a controlling stake in June. The company has opened several Laox Living Plaza shops over the past few months in first-tier cities selling products from imported cosmetics to toys and kitchenware. The company has earmarked CNY4.7 billion to build warehouses and enhance its logistic services across the nation. Suning, which operates more than 1,700 shops, aims to double the number to 3,500 by 2020. Many will be transformed from home appliance outlets to comprehensive stores, the South China Morning Post reports.

KFC to expand in smaller cities, add 500 restaurants a year

KFC said it will accelerate its expansion in smaller cities despite the global economic slowdown. “KFC will open more than 500 restaurants each year in the future, compared with 400 annually over the past two years,” said Mark Chu, President and CEO of Yum Brands’ China Division. Earlier this year Yum Brands signed an agreement with Suning Appliance in which Yum agreed to open 150 restaurants, including KFCs and Pizza Huts, in Suning stores over the next five years. KFC entered the Chinese mainland market in 1987. It had 400 restaurants in 2000. Four years later, the figure had jumped to 1,000, and it went to 3,000 restaurants in 2010. It now has 4,000 restaurants in China. KFC’s biggest rival, McDonald’s Corp said it plans to open 225 to 250 outlets in China this year, after promising last year to increase its investment by 50%. McDonald’s, which entered the Chinese mainland in 1990, has more than 1,500 stores in China. It aims to expand its China network to more than 2,000 outlets by 2013. According to Euromonitor International, Yum led the market with a 40% share, compared with 16% for McDonald’s.

- Singapore-listed bakery chain BreadTalk plans to double the number of its outlets in China in the next two years. Founder and Chairman George Quek said the company would have 550 outlets in the country by 2014, compared with about 300 in 40 cities now. A shortage of local talent and dearth of quality retail space were the main stumbling blocks for the expansion, Quek said. “The bakery business could grow on a fast track over the coming two decades, benefiting from the scale of the economy and people's increasing income”, he added. Revenue from China would account for more than 50% of BreadTalk's total in three years, Quek said.

SCIENCE & TECHNOLOGY

More and more Chinese students studying abroad

This year, only 9.15 million students took the university entrance exam, compared with 10.5 million in 2008. The Chinese Ministry of Education says 20% of the reduction is explained by overseas study. Last year there were 340,000 Chinese students studying abroad, a figure that has risen over 20% a year for the past several years. The number of younger students is rising even faster. Pre-university numbers grew 30% last year. But a recent report by employment agency Zhaopin said 70% of local companies give no hiring preference to overseas-educated candidates, while nearly 90% said they command either no salary premium or only a small one.

STOCK MARKETS

Three Chinese companies to relaunch IPO plans

At least three Chinese companies are relaunching their plans to go public in Hong Kong to raise a total of USD1 billion or more by December after pulling them earlier this year because of a weak market. Zhengzhou Coal Mining Machinery started to take orders from institutional investors for its long-awaited USD500 million IPO in Hong Kong, while Fosun Pharmaceutical, which failed to launch its share offer at least twice earlier this year, is now trying to raise up to USD600 million from a Hong Kong listing. Both companies are already listed in Shanghai. Herbicide producer Fuhua Agriculture Technology was also trying to raise about USD200 million through a Hong Kong IPO.

- The Hong Kong government has appointed Carlson Tong, KPMG's former Chairman for China and the Asia-Pacific, as Chairman of the Securities and Futures Commission (SFC), effective October 20. The post is a non-executive one. Tong is expected to work with Chief Executive Ashley Alder to carry out reforms including a tightening of the regulation of listing sponsors.
- Chinese regulators have cleared the way for overseas investors to buy more than USD30 billion worth of stocks and bonds in China, exceeding the previous program limit. 157 foreign institutions had been granted USD30.82 billion worth of quotas under the qualified foreign institutional investor (QFII) scheme, with nearly a third of them approved this year, the State Administration of Foreign Exchange (SAFE) said. Regulators have accelerated QFII approval this year. But, the existing cap on the program, which was increased to USD80 billion from USD30 billion earlier in the year,

remained unused until now. SAFE said that it has approved USD9.18 billion worth of investment projects that 72 Qualified Foreign Institutional Investors (QFIIs) had applied for between January 1 and September 19.

- Net profit of Nine Dragons Paper, Asia's largest containerboard manufacturer, declined 27.8% to CNY1.42 billion in the fiscal year to June despite an 11.4% rise in turnover to CNY27.17 billion. Nine Dragons Chairwoman Cheung Yan said she expected the containerboard market to rebound gradually next year. During the year, Nine Dragons' sales volume grew 17.1% to 8.9 million tons. Nine Dragons said it planned to expand annual production capacity from 11.45 million tons on June 30 to 14 million tons in 2015.
- A Hong Kong court ordered the former Chief Executive of Medical China, Li Wo-hing, to pay compensation of HKD10.7 million to the company for the losses it incurred as a result of his misconduct in 2004. The Court of First Instance also banned Li from being a Director or Manager of a corporation for seven years, while former Chairman James Li was banned for four years. The company has meanwhile changed its name to China Asean Resources and is now principally engaged in the natural resources business.
- Shanghai stocks tumbled to their lowest level in nearly 44 months last week amid concerns that China may hold off on additional easing measures after the central bank said it would maintain a prudent monetary policy. The market also fell as the China Securities Regulatory Commission (CSRC) restarted the review of initial public offering (IPO) applications after a two-month suspension. The benchmark index has lost 8.9% this year. The Shanghai indicator dropped to 2,004.17 on September 26, the lowest close since January 23, 2009.
- Of the 965 listed companies that have disclosed performance predictions for the third quarter, 489 estimated losses or reduced profits. Many companies said they have seen no significant improvement from the second quarter. The steel industry has been hit especially hard.
- China's economy is expected to grow at a much slower pace of about 7% over the next decade, but its stock market still has the most attractive upside among BRIC countries, according to Jim O'Neill, Chairman of Goldman Sachs Asset Management. He expects consumer-related and health care companies to benefit, while those that depend on heavy industry production and heavy industry commodities were likely to lose out. O'Neill said he expected China's A-shares to rise again over the next year, and disagreed with what he described as a growing consensus that Chinese equities would never rally again.

TRAVEL

Clogged roads greet holiday travelers

About 11 million vehicles are expected to hit Beijing's expressways during the Mid-Autumn Festival and National Day holidays, marking a year-on-year increase of 20%, according to the capital's transport authorities. The increase is mainly a result of a new toll-free policy for cars during major holidays initiated by the government in August. On September 30, the first day of the 8-day holiday, almost 86 million travelers took to the roads, 13.3% more than on the first day of the National Day holiday last year. Many expressways and highways became severely clogged with traffic. The authorities estimate 740 million road journeys will be made during the holiday

- Universities in Hainan province will offer 19 new majors, including golf and scuba diving, starting next year to help Hainan enhance its status as an international tourism destination. Students at Hainan Normal University will be able to study golf management, as the province now has more than 50 golf courses, while the Sanya City Vocational School will offer scuba diving, as about 1.4 million diving enthusiasts visit Sanya every year.
- China Southern Airlines has come to the rescue of Henan Airlines, which was banned from flying after one of its planes crashed in Yichun, Heilongjiang, in 2010, killing more than 40 people. China Southern and Henan Aviation Investment, a company set up for the restructuring of Henan Air agreed to form a CNY6 billion joint venture in which China Southern will hold 60%. The joint venture will clear the way for the relaunch of

Henan Air.

- The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) ordered increased body temperature monitoring and other medical inspections for travelers coming from Britain, Saudi Arabia and Qatar after the World Health Organization (WHO) said a new type of coronavirus had infected a Qatari man who was being treated in London. A man in Saudi Arabia has died of the virus. The new virus belongs to the same family as SARS which affected China at the end of 2002 and in the first half of 2003.
- Airlines will be able to sell tickets in China through the international global distribution systems (GDS) for the first time on October 1, which could break the monopoly of state-owned TravelSky Technology. Chinese airlines will still be restricted to using TravelSky, according to the new rules published by the Civil Aviation Administration of China (CAAC). Chinese ticket agencies up to now had to sell tickets offered by foreign airlines exclusively through TravelSky's system. Booking of foreign airline flights through TravelSky was up by 28.4% in the first half of 2012 compared to 2011.
- Shanghai will add another 175 kilometers of subway track in the next three years. By 2015, the city's subway network will reach 600 kilometers, Sun Jianping, Director of the Shanghai Transport and Port Administration, said. The city's metro operator expects up to 7.35 million passengers a day during the National Day holiday and Mid-Autumn Festival. Usually, the subway network carries about 6 million passengers per day.
- An underground file-forging business around foreign consulates in Shanghai has been discovered. Some forgers are coaxing visa applicants to purchase fake files to obtain visas, including fake company business licenses and personal income certificates, which are required by some foreign consulates.
- The Ministry of Railways (MOR) disclosed details of the tender for its costly online ticketing system on its website after the system crashed again. The public tender was won by Taiji Computer Co and Tsinghua Tongfang Co, and notarized by Beijing Fangzheng Notary Public Office. The online ticketing system, www.12306.cn, cost CNY330 million and 10 years of research and development (R&D). From September 21 to 26, about 2.2 million tickets were sold online every day on average. People have speculated that kickbacks were involved in the website-project bidding process, but railway authorities blamed the malfunction on huge online traffic caused by the approaching holiday.

VIP VISITS

Foreign Minister Yang condemns Japan at the UN

Chinese Foreign Minister Yang Jiechi denounced Japan's actions in the East China Sea in his speech at the yearly United Nations General Assembly, and Assistant Minister of Foreign Affairs Le Yucheng warned Sino-Japanese ties could soon "sink like the Titanic". Japan's attempt to purchase the Diaoyu islands was compared at a seminar in Beijing to the iceberg that sunk the Titanic a century ago. Yang accused Tokyo of stealing the islands, which are known as the Senkakus in Japan. He called Prime Minister Yoshihiko Noda's efforts to purchase three of the five islands "illegal and invalid". "China strongly urges Japan to immediately stop all activities that violate China's territorial sovereignty," Yang said. "They can in no way change the historical fact that Japan stole the Diaoyu and its affiliated islands from China and the fact that China has territorial sovereignty over them." Tokyo's attempt to nationalize the isles was an "outright denial" of its defeat in the second world war, he said.

ONE-LINE NEWS

- Former Minister of Commerce and former Communist Party Secretary of Chongqing, Bo Xilai, has been expelled from the Chinese Communist Party and dismissed from all his posts. He will face a criminal trial for – among other crimes – abuse of power and corruption. Xinhua News Agency said Bo Xilai "did massive harm to the reputation of the party and state, producing an extremely malign effect at home and abroad". The sanctions imposed by the Political Bureau are to be endorsed at the 7th plenary session of the 17th Central Committee which is to convene on November 1.
- The 18th Congress of the Chinese Communist Party will start on November 8, Xinhua

News Agency announced, following a Political Bureau meeting chaired by Party General Secretary and State President Hu Jintao.

- Medical instrument maker Medtronic has agreed to pay USD816 million for New York Stock Exchange-listed Chinese medical device supplier China Kanghui Holding.

QUOTES OF THE WEEK

"I've gotten to know him [Vice President Xi Jinping] reasonably well, spending many hours speaking to him, and he's his own man, confident about where he wants to take the country … this leadership is one that the world and the U.S. can truly do business with. I believe this administration understands what it's up against."

Former Australian Prime Minister Kevin Rudd, quoted in the South China Morning Post, September 28, 2012.

"Fraud happens in every society. In China, the legal system is less developed, so the ways people commit fraud tend to be less sophisticated. It has taken 200 years for Britain's legal system to mature. We can't expect China to suddenly become a legalistic state when it had no tradition of doing that. If foreigners go there and do stupid things, then they are liable to lose money. We need to focus on the risk management and governance."

Tim Clissold, Author of "Mr China" and Chief Executive of Peony Capital, quoted in the South China Morning Post, September 29, 2012.

"Chinese people respect you if you are strong, not if you are nice. If you only make nice comments and buy them nice meals, it won't get you anywhere. You have to know how to deal with them and control assets."

Tim Clissold, Author of "Mr China" and Chief Executive of Peony Capital, quoted in the South China Morning Post, September 29, 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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- SMEs: €350

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

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