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

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FCCC ACTIVITIES

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. 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

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)

OpenChina-ICT Dialogue Conference on ICT research – November 15-16, 2012 – Beijing

The OpenChina-ICT Dialogue Conference is organized by the OpenChina-ICT project, supported by the European Commission through its FP7 research-funding programme, aiming at facilitating ICT-related research cooperation between Europe and China.

This event (free of charge) will be held at the Wenjin Hotel in Beijing, and will focus on the identified top Chinese ICT research priorities and, in particular, on the development of concrete recommendations for actions for international cooperation in ICT between Europe and China.

The objectives of this event are:

- To foster an active dialogue on the identified top ICT research priorities and especially on international cooperation between relevant stakeholders (researchers, politicians, industry representatives, etc.).
- To discuss specific cooperation opportunities, programmes and initiatives.
- To strengthen the EU-China policy dialogue.
- To develop concrete recommendations for actions for international cooperation in ICT between Europe and China.

The online agenda has been recently updated with high-level speakers from Europe and China, including representatives from the European Commission DG CNECT, government officials, key research experts, C-level executives and many other speakers.

In the framework of the Conference, a matchmaking session will be organized on November 16, 2012. This one-on-one matchmaking session will be conducted in the form of face-to-face meetings between European and pre-selected potential Chinese partners to exchange their ideas and discussing the details for future collaboration.

For further information on this event (agenda, documents, registration form…), visit the project website: openchina-ict.eu.

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 www.flanders-china.be

FINANCE

Chinese banks withdraw from IMF-linked events in Tokyo

Chinese banks have pulled out of events linked to annual meetings of the International Monetary Fund (IMF) and the World Bank scheduled for this week. "Quite frankly, it's Japan-China relations," Dow Jones Newswires quoted an official at the Tokyo branch of the Agricultural Bank of China (ABC) as saying to explain why the bank was pulling out of IMF-related events. The bank is still sponsoring and participating in a meeting of the Institute of International Finance that takes place in Tokyo on the sidelines of the IMF meeting. The Bank of Communications (BoCom) has also pulled out of IMF-related events, while China Construction Bank (CCB) said its China-based officials had scheduling problems that were preventing them from attending. The Bank of China (BOC) had not decided if representatives would attend the IMF meetings. Japan's Vice Finance Minister Takehiko Nakao said the no-show by Chinese banks was very disappointing. "Political difficulties shouldn't prevent this kind of exchange between Japan and China taking place," he said. Tensions between Beijing and Tokyo remained high last week, with Chinese government ships returning to waters off the Japanese-controlled Diaoyu islands. International Monetary Fund Director General Christine Lagarde warned China and Japan that the shaky global economy could not afford to have the two nations embroiled in a territorial dispute. "Both China and Japan are key economic drivers that do not want to be distracted by territorial division," Lagarde told Japanese media in Washington ahead of the annual meetings. Swift also confirmed that three big Chinese banks pulled out of the Swift International Banking Operations Seminar (Sibos) on October 29 in Osaka, one of the most important annual gatherings in global finance.

Sharply slowing profit growth at Top 10 listed banks

China's top 10 listed banks saw sharply slowing net profits in the first half of the year as bad loans increased, a report by PwC showed. They reported CNY513.2 billion of net profits during the first half, up 17% year-on-year, but down from 34% growth in the same period of last year. The report attributed the slowing profit growth to the central bank cutting interest rates twice this year, coupled with widening the interest rate bandwidth for loans and deposits. A new rule by the People's Bank of China (PBOC) allows financial institutions to set the maximum for deposits' interest rates at 1.1 times the benchmark, with the minimum for loans' interest rates at 70% of the benchmark. The report also said financial authorities' stringent review of banks' service charges and innovative treasury products helped cause the slowing growth of profits. The 10 banks' total assets reached CNY76 trillion as of the end of June, up 10.68% from the end of last year.

Taiwan's Fubon aims to close NTD20 billion China bank deal

Taiwan's Fubon Financial is seeking a 51% stake in the mainland's First Sino Bank in a deal worth about NTD20 billion. Fubon, which has been among the most aggressive Taiwanese banks in expanding in the mainland, planned to buy the stake from Taiwan's Pou Chen Group, a major supplier of Nike shoes. "Fubon is mostly done with its due diligence on First Sino, and communication between Chinese regulators and Fubon has been smooth", said a person knowledgable about the deal, who asked not to be named owing to the sensitive nature of the deal. First Sino is 60% owned by Pou Chen, 30% by the Shanghai Pudong Development Bank and the rest by Wing Hang Bank, Hong Kong's sixth-biggest by assets. It was set up in 1997 to help Taiwanese firms operating on the mainland get funding, and that is still its main business. The deal would give Fubon 13 branches in big cities across the mainland to add to the 31 it has in Fujian province via its stake in Xiamen Bank.

- Bank of China (HK) and HSBC, two major banks in the offshore yuan market, raised yuan deposit rates in Hong Kong amid increasing competition to attract more yuan funds and maintain market share. HSBC said its six-month and 12-month interest rates for new yuan funds above CNY20,000 will be up to 3.1% and 3.2% annually, while for existing funds the rate for three-month and six-month deposits could reach 2% and 2.2%, respectively. For BOC (HK), the annualized three-month deposit rate will rise to as high as 3% for new funds or yuan converted from other currencies until the end of the month.

FOREIGN INVESTMENT

Personal care firms boost investments in China

International personal care and beauty products manufacturers are increasing investment in China's central and western regions in a bid to better compete with local brands. On September 14, Unilever launched a global manufacturing base in Meishan, Sichuan province. The facility is its third global-manufacturing base of laundry products and toothpaste after Tianjin and Hefei. The first phase, which involved investment of nearly CNY300 million, is expected to produce more than 200,000 tons of laundry detergent and will continue to develop other products. The plant in Tianjin will produce laundry powder, softener, toothpaste and shower gel. The annual production value of the factory in Hefei, Anhui province, is more than CNY12 billion. China's consistent economic growth has increased disposable income levels, which in turn has led to higher expenditure on beauty and personal care products, according to a report by Euromonitor International. P&G has established a manufacturing plant and a sales center in Chengdu, Sichuan province, and a manufacturing and logistics base in Taicang, Jiangsu province, in addition to previously established offices, manufacturing plants and a distribution center in Guangdong province. P&G entered the Chinese market in 1998 and has invested USD2 billion in the country. With sales of nearly USD5 billion a year, China is the company's second-largest market. It will invest USD1 billion in China, which it considers to be an "important growth engine", in the next four years. L'Oreal announced last year it plans to build Asia's largest cosmetic-manufacturing base in Yichang, Hubei province. The increasing presence of foreign companies will put pressure on domestic brands, industry analysts said. But they are also growing fast. Jala, Shanghai Jahwa United, Shanghai Inoherb Cosmetics and Carlsan, have witnessed double-digit sales growth in 2011, the China Daily reports.

- Big Japanese insurers have stopped covering firms against riots in China, a move seen likely to hit investment. Major non-life insurers, including Tokio Marine and Nichido Fire Insurance, had been selling policies that cover damage from strikes, riots and civil commotion. But they have stopped accepting new applications since protests targeting Japanese businesses erupted in cities across China. The number of Japanese firms operating in China topped 14,000 as of the end of August, according to a Japanese research institute. Insurance claims related to the protests may reach about JPY10 billion, according to General Insurance Association of Japan Chairman Yasuyoshi Karasawa.
- Chinese state-owned companies involved in two Jamaican road projects worth USD468 million have breached regulations, the Jamaican Minister of Transport, Works and Housing, Omar Davies has alleged. One of them is China Harbor Engineering, a subsidiary of China Communications Construction (CCC). The two projects – the USD400 million Jamaica Development Infrastructure Program and the USD68 million Palisadoes Shoreline Protection and Rehabilitation Works, are being partly financed by the China Export-Import Bank (Exim Bank).

FOREIGN TRADE

New calculation method to halve China's trade surplus with U.S.

A new way to measure bilateral trade balances will see China's surplus with the United States reduced by half, said World Trade Organization Director General Pascal Lamy. High-tech products are made around the world, with components and parts being manufactured in many countries, he said. The country where the final assembly takes place only contributes a small part of the final value of the product. "If we were to measure trade in value-added rather than gross statistical terms, bilateral trade balances would look very different," Lamy said during a speech at the Brookings Institution. He cited the example of the iPhone, which is assembled in China. Goods and services contributing to the phone's final assembly come from 15 companies located in many different countries. China only gains 4% of the added value, but when a USD400 iPhone is sold in the U.S., standard trade accounting lists it as USD400 credit to China's side of the ledger and USD400 debit for the U.S. "WTO economists believe that China's USD295 billion trade surplus with the U.S. would be reduced by nearly half if two-way trade were measured in valued-added terms." Given the importance of the China-U.S. relationship for the world, Lamy urged people to look at those numbers more closely. In this year's U.S. presidential campaign, both President Barack Obama and Republican challenger Mitt Romney have voiced harsh rhetoric about China's trade practices, blaming it for U.S. job losses and the trade deficit. Romney has played tough on the China issue during his presidential campaign. He vowed that he would label China a "currency manipulator" once he got to the White House. Lamy dismissed concerns about the increasing number of trade disputes between China and the US, saying they are a natural result of a maturing economic relationship, the China Daily reports.

IPR PROTECTION

China advancing in IP protection

China has a short intellectual property history but has become the top IP filing destination. Increasingly, Chinese companies are litigating in Chinese courts as both plaintiffs and defendants. But in courts in foreign countries, Chinese companies remain mostly as defendants, said Xiang Wang, Partner at Orrick, Herrington & Sutcliffe. China has overtaken the United States for the seventh consecutive year in terms of the annual number of IP litigations. However, the amount of damages and enforcement rates as well as the level of judicial transparency are still low when compared with the U.S. Further, compared with their foreign counterparts, most Chinese companies still lack both independent core technologies and the awareness of IP protection. When sued in foreign courts, most Chinese companies chose to default due to lack of familiarity with foreign laws, judicial systems and the high litigation cost as well as the high risk of being found infringing. However, with the further development of IP laws and a national IP strategy by the government, we should expect to see a change to the current situation in the near future. A small number of Chinese companies such as Huawei Technologies and ZTE are quickly stepping into the international arena as fierce competitors. They are becoming the leaders of Chinese companies filing and protecting their IP rights abroad. But overall Chinese companies are still at the early stage of going abroad and are often not sophisticated enough to deal with complicated IP issues in mergers and acquisitions (M&As). Therefore it is advisable for Chinese companies to first understand how important their target IP assets are, as compared with other assets, and what type of IP rights may deserve more careful evaluation and due diligence than others. This will enable them to understand how much should be spent on what IP due diligence, Xiang Wang told the South China Morning Post.

MACRO-ECONOMY

PMI improves slightly, but still contracts

China's manufacturing activity improved for the first time since May in September but it is still in contraction, the official Purchasing Managers' Index (PMI) shows. The PMI rose to 49.8 in September, up 0.6 points from a month earlier, the China Federation of Logistics and Purchasing (CFLP) said. It was the second month the index had fallen below the 50 mark which separates an expansion from a contraction. Component indices showed production increased to 51.3 in September from 50.9 a month earlier, new orders rose by 1.1 points to 49.8, and new export orders gained 2.2 points to 48.8. The HSBC PMI posted 47.9 in September, up from 47.6 in August. In a marked contrast to the official PMI, new export orders under the HSBC PMI declined at their sharpest rate in 42 months amid reports of weak international demand. The difference between the official PMI and its counterpart compiled by HSBC is caused by different samples in different segments of the industry. The HSBC PMI is heavily focused on small and medium-sized enterprises. The official PMI for large-scale enterprises was 50.2, 1.1 points higher than in August. Meanwhile, the reading for small businesses fell by 0.1 points month-on-month to 49.8 and medium-sized enterprises saw a month-on-month decline of 1.0 to 46.7. The employment sub-index fell 0.2 points to 48.9, the fourth successive month below 50, reflecting ongoing job losses in the manufacturing sector, with metals and cars bearing the brunt of the downturn. Prices of raw materials are still rising in some industries, especially oil refining and chemicals. However, raw material prices for the steel and metals industries are falling. The purchasing price index for raw materials in those industries was below 40.

China's normally robust services sector weakened sharply in September to its lowest point since November 2010, as slow growth in manufacturing finally began to feed through to the rest of the economy. The official PMI for the sector fell to 53.7 in September from 56.3 in August, weighed by weakened construction services and transport as well as lackluster new orders overall. "If your manufacturing sector has been slow for six months it makes sense it would feed through to other services like banking and other related services. It had been insulated for a while," said Stephen Green, Research Director for Greater China at Standard Chartered in Hong Kong. The value is the lowest in nearly two years, although the sector remains above the 50-point line that divides expansion from contraction. As China's economy matures and becomes more consumer-oriented, the services sector would be expected to post stronger growth than the manufacturing sector, which boomed earlier. China's fast-growing services industry had weathered the global slowdown much better than the manufacturing sector, with the PMI consistently signaling healthy expansion and hitting a 10-month high of 58.0 in March.

ADB lowers China's growth forecast

The Asian Development Bank (ADB) has trimmed its forecast of China's economic growth to 7.7% for this year, down from the 8.5% it projected in April. It also slashed its forecast for next year's growth to 8.1% from 8.7%. ADB Chief Economist Changyong Rhee said China has policy room to prevent an economic crash but he urged faster reform, including promoting faster growth of the service sector, which contributed more than 40% of China's growth between 2000 and 2010. The ADB projects China's consumer price inflation to ease from 5.4% last year to 3.2% this year and 3.5% next year. The ADB's economic growth downgrade follows cuts by investment bank Credit Suisse by 0.2 percentage point to 7.5% and credit rating agency Fitch by 0.2 percentage point to 7.8%. Mizuho Bank Analysts Shen Jianguang and Michael Luk said in a research report that they expected China's economic growth in this year's third quarter – due on October 18 – to fall to 7.4% from 7.6% in the second quarter due to an absence of effective policy support. A Reuters poll last month forecast China's annual economic growth could ease to 7.4% in the third quarter, before picking up to 7.6% in the final three months. That would likely leave growth for 2012 below 8%, its lowest in more than a decade. China's central bank cut interest rates twice in June and July and has lowered the level of cash it requires banks to hold as reserves three times since late 2011 as part of efforts to support the economy. Beijing is expected to further loosen interest rates and reserve ratio policies before the end of the year.

MERGERS & ACQUISITIONS

Fisher & Paykel BOD rejects Haier takeover offer

The Board of Directors (BOD) of New Zealand cooking and laundry appliance maker Fisher & Paykel Appliances (FPA) said shareholders should reject a takeover offer by cornerstone shareholder Haier Group because it undervalued the company. Haier's offer of NZD1.20 a share, which values F&P Appliances at around NZD869 million, did not reflect the value of the company under a restructuring plan, based on an independent report, the directors said. Haier Group, the parent of Qingdao Haier and Haier Electronics Group, said shareholders had to decide between cash in hand now or the uncertainty and risks of the future. "Haier believes the independent adviser's valuation range is overly optimistic and does not adequately take into account the risks contained in the five-year strategic plan," Haier White Goods Group President Liang Haishan said in a statement. He said there was likely to be a sharp fall in F&P Appliances' share price if Haier's bid failed, although the statement did not explicitly rule out raising the offer price. Haier already has a 20% stake in FPA. The appliance company's second biggest shareholder, Australian fund manager Allan Gray, which owns 17.5%, has already agreed to accept to Haier's offer. Local fund manager Tower Asset Management has said it will not sell its 3.68% stake for less than NZD1.50 a share. In addition to producing refrigerators, washing machines and double-door dishwashers, F&P also manufactures automated production equipment, and has a consumer finance arm, the South China Morning Post reports.

Heinz looking to acquire soy sauce firms

Heinz, the world's largest ketchup maker, seeks to buy local Chinese soy sauce companies to boost its market share. Soy sauce sales total about USD4 billion a year in China, towering over ketchup sales, which generate USD100 million to USD200 million in annual sales. Heinz currently sells a sweet soy sauce across about 20% of China, but the company hopes to enter more provinces and break into dark soy sauce through acquisitions. Heinz made its first splash into Chinese soy sauce two years ago, when it acquired Foodstar, a company based in Guangzhou that makes soy sauce and bean curd. The USD165 million Foodstar acquisition has been a success so far, the company says, but it has been difficult to do more deals in China because of different accounting systems, regulatory concerns and local resistance to foreign takeovers. Heinz is also trying to develop its infant nutrition line in China, the Financial Times reports.

- Private companies in Fujian province that acquire high-end foreign brands will be eligible for government subsidies worth 10% of the deal, or up to CNY10 million. Foreign high-end brands are defined as being more than 20 years old and ranking in the top 10 in their industry.
- Guangdong Zhenrong Energy has sweetened its takeover offer for debt-laden Titan Petrochemicals Group in a bid to fend off a rival offer backed by United States private equity firm Warburg Pincus, a major creditor of Titan. In place of its offer made in August to buy 90% of Titan through a subscription of new shares for HKD175 million, Zhenrong Energy, a unit of state-owned commodities trader Zhuhai Zhenrong, has offered to buy all of Titan's existing 7.8 billion shares for HKD19.55 million. While the per share offer price is the same, the new offer gives Titan shareholders an opportunity to cash out earlier. Zhenrong Energy has also offered to inject HKD928.2 million into Titan in exchange for two batches of preference shares.

PETROCHEMICALS

CNOOC garners support for Nexen bid

The Premier of Canada's province of Alberta sees benefits in the proposed sale of Nexen to CNOOC. Premier Alison Redford, who does not have a formal say in whether the USD15.1 billion bid for the Calgary, Alberta-based oil producer is approved, said she had advised the federal government in its review of the takeover bid. "At the end of the day, our view is that if this is in Alberta's interest, it should go ahead. And we think there's a lot of benefit for Alberta and Canada in this deal," Redford said.

REAL ESTATE

Guangzhou pre-sales curbs not expected to cool market

The Guangzhou government's latest measures to restrict the number of flats in expensive projects that can be sold before they are completed is likely to do little to further dampen the city's real-estate market, according to property analysts. The Guangzhou Land and Housing Bureau announced that it had "implemented timely measures to control the pre-sale scale and the transaction pace of abnormally high-priced residential projects" in the city center. Like other local governments, Guangzhou already must approve the proposed selling prices of flats, which in itself helps keep a lid on the property market. "Sales of high-priced projects in the central district have been on the rise recently, which has boosted the percentage share of expensive flat sales, thus causing a structural increase in the average selling price for the entire city," the Bureau said, adding that the prices of some high-end residential projects near Pearl River New City and other urban areas were too high. These yet-to-be-completed projects drew some buyers before the official sales started. Once those sales began, the effect was to push the city's average home price to an abnormally high level, which "leads to unusual fluctuation and misleads the market", the government said. According to real estate agents, the rise in the price of new flats in Guangzhou is not due to a change in the market but is because the projects themselves are located in prime areas that make them expensive. Ellis Wong, General Manager at property agency Centaline Group's Guangzhou office, said some new flats in the Pearl River New City area were priced at CNY60,000 to CNY70,000 per square meter, compared with an average of CNY16,000 for the entire city. The units – between 200 and 300 sq m – may cost CNY10 million or more. "I think the impact of the new control on the market will be small... because there are different policies in place already, and each city has similar restrictions," Wong said. He added that the Guangzhou government could tolerate a small number of transactions of expensive flats but not a large batch as that would artificially boost the city's average selling price. According to Centaline's Deputy Research Manager Qu Zhongqi, secondary home prices in Guangzhou climbed gradually from around CNY16,250 per sq m in February to CNY17,343 in August.

- An exhibition at the Shanghai Exhibition Center that presented projects from about 200 real estate developers, including big-name players like Poly Real Estate, Greenland Group and Vanke, attracted thousands of potential home buyers, but no big bargains were available, and there were very few buyers. On one day of the four-day exhibition, there were 30,000 visitors even though the show included about a fifth fewer developers than a similar exhibition in May.

RETAIL

Foreign hypermarkets struggling in China

When Walmart Stores drew a rush of 80,000 shoppers on the opening day of its first super center in China in 1996, the country appeared to be easy for global retailers, but by 2012, China has been a tougher market than expected. Overseas retailers from Britain's Tesco to Germany's Metro are slowing expansion, while Hong Kong-listed Sun Art Retail Group has overtaken Walmart as the country's top supermarket chain. U.S. home improvement chain Home Depot's closure of its big-box stores last month was the latest evidence of foreign retailers' struggle with a crowded market, slowing economic growth and tough competition in a country that was once their best hope for growth. "The rapid-growth era for such types of hypermarket operations is over, and it's not as easy as before to generate profit by simply opening new stores," said Steve Chow, Analyst at Kingsway Group Research. China's hypermarket segment, with retail sales estimated at CNY506.9 billion last year, includes the world's three largest retailers – Walmart, Carrefour and Tesco – and a crowded field of domestic players led by Sun Art, which said the market was full and the next phase might be consolidation. "We don't see much room for newcomers unless their business model is very different from others," Sun Art Chief Executive Bruno Mercier said in August, after the firm reported a 75% jump in first-half net profit. Overall retail sales growth in China remains high by international standards – year-on-year growth has held above 13% every month this year and has not posted an increase smaller than 10% since 2006 – but it has slowed from as high as 18% growth late last year. However, retailers have not come close to keeping up with that overall sales growth rate. At Carrefour, last year's sales at its China stores open at least a year fell 0.8%. Even Sun Art has suffered, with same-store sales growth falling to 4.3% in the first half from 11% a year earlier. Sun Art's USD10.8 billion revenue last year was 40% larger than Carrefour's total for China. Sun Art, which operates stores under the RT-Mart and Auchan banners, controls 12.8% of the hypermarket segment, topping Walmart's 11.2% and Carrefour's 8.1%, according to research firm Euromonitor. Sun Art overtook Walmart in 2010 and extended its lead last year, the South China Morning Post reports.

- Telecommunications equipment supplier Motorola Solutions forecasts major retailers in China to drive a steady rollout of advanced, mobile automation systems in their stores over the next few years. "There has never been a better time to be a technology provider to retailers," Anand Mehta, Director for Asia-Pacific retail business at Motorola Solutions, said. The proposed systems would include extensive wi-fi links, wireless point-of-sale devices and mobile applications for customers and store staff.
- Retail sales of consumer goods in China rose a better-than-expected 15% to CNY800.6 billion during the eight-day "golden week" holiday between September 30 and October 7. Precious metals, including gold and silver, jewelery and digital products were among the most popular items. Shanghai's retail sales rose 9.2% from a year earlier to CNY6.43 billion, falling short of expectations. Last year's National Day

holiday saw a sales expansion of 17.1%.

SCIENCE & TECHNOLOGY

Chinese vaccine against Japanese encephalitis to be approved

A Chinese-made vaccine against Japanese encephalitis is on the verge of being approved by the World Health Organization (WHO) for use by aid agencies, a move that would be a first for China and open the door to lucrative regional and global markets. The vaccine is made by the Chengdu Institute under the China National Biotech Group (CNBG). A WHO Spokeswoman said that pre-qualification for a vaccine against Japanese encephalitis, deemed a medium-term priority by the WHO, was "in the pipeline" but that discussions were confidential.

- The largest collection of complete dinosaur footprint fossils ever found in Asia has been discovered in the Liujiaxia Gorge in Yongding county, Gansu province. The site, located 80 kilometers west of Lanzhou, contains the prints of 10 different species of dinosaurs.

STOCK MARKETS

Chinese media prepare listings on stock exchange

Reform of the media sector is likely to spawn dozens of initial public offerings (IPOs) by media outlets and publishing companies in line with the Chinese Communist Party's goal of boosting the culture industry. In April, People.cn, the online news portal of the People's Daily, became the first state-run news website to list when it raised nearly CNY1.4 billion in Shanghai. Liu Binjie, Director of the General Administration of Press and Publication (GAPP), which regulates the print media, including newspapers, books and periodicals, told a government work conference last month that Beijing would set up a national conglomerate to own and manage the major state-controlled news organizations and publishing houses as part of an effort to encourage more media companies to go public. Liu didn't disclose a timetable, but it is thought that serious steps will be taken after the close of the 18th National Party Congress next month. "The publishing and media companies should be given free play in their business activities," Liu said. The establishment of a national-level publication group to oversee the major state-owned organizations would help them restructure to meet the listing requirements, Liu said. The Communist Party's local publicity departments and other authorities would relinquish their responsibilities in directing and managing the press companies. The planned conglomerate is expected to oversee the 120 major press and publication groups nationwide. Most major publishing houses are wholly owned by the government and cannot meet the requirements on shareholding structure set by the securities law for a listing.

- Shanghai Fosun Pharmaceutical (Group) is seeking to raise up to USD600 million through an initial public offering (IPO) in Hong Kong. The company had planned to tap the local market early this year for as much as USD1 billion, but investors became cautious as the global economy weakened. The company, which is already listed in Shanghai, manufactures drugs for liver-related diseases and diabetes, as well as traditional Chinese medicine, diagnostic equipment and medical instruments. Last year, it posted a 42% gain in revenue to CNY6.4 billion, while net profit rose 38% to CNY1.4 billion.
- Milk maker Liaoning Huishan Holdings, also known as Huishan Dairy, has invited proposals from investment banks to lead a Hong Kong initial public offering (IPO) of up to USD1 billion. The deal is not set to hit the market until well into 2013. A key test for Huishan during the marketing of its IPO will be to convince investors its products will always meet the highest standards. Huishan is the largest producer of liquid milk in northeast China.

TRAVEL

Scrapping of toll road fees during holidays proves controversial

Economist Li Daokui, a former Chinese People's Bank of China Adviser and currently Professor at Tsinghua University, said that lifting of all toll road fees during the past holiday week was “a new world record for stupid policies”, giving everybody free reign to jam the roads. Even though drivers do not have to pay tolls, they still had to stop at toll gates to get pass cards, causing long tailbacks. Beijing authorities later stopped requiring drivers on roads in the capital to get the pass cards. Li suggested to increase tolls by 50% on future holidays, but Cai Lihui, Political Analyst at Guangzhou's Sun Yat-sen University, said all tolls should be eliminated.

Scrapping toll road fees during holidays will not help some of the biggest infrastructure builders, which are already feeling the economic pinch. In the first half of the year, China Communications Construction saw the value of its new road contracts drop 40.3% to CNY36.62 billion, while China Railway Construction Corp secured CNY37.51 billion in contracts to build new roads, just under a third less than last year. HSBC expects the new toll policy to trim 1.9% from highway revenue this year and 5.5% every year thereafter, cutting the earnings of listed highway operators by up to 13% next year. “Foreign investors like Macquarie will be less willing to invest in Chinese highways. Macquarie has invested in some Chinese toll roads and will be getting a lower return,” Nomura Analyst Jim Wong said. “Even state banks, which fund a lot of highways, will see longer payback times.”Francis Cheung, Managing Director of China-Hong Kong Strategy at CLSA, says there is a risk that some highway projects recently approved by the National Development and Reform Commission (NDRC) will not get enough financing. The NDRC approved 2,018 kilometers of new highways last month to help stimulate the economy, projects that some analysts estimate could take more than CNY200 billion to build.

Tourist sites swamped by visitors

Major tourist destinations in China witnessed travel peaks amid the eight-day Mid-Autumn Festival and National Day holiday that ended on October 7. In Beijing, the Palace Museum, or the Forbidden City, attracted 182,000 tourists on October 2, the biggest number on a single day, as millions of visitors arrived from the provinces. Earlier, from Sunday noon to midday Monday, garbage collected at Tiananmen Square amounted to 7.9 tons, a quarter more than that in the same period of last year. Qingdao's top five major tourist sites attracted more than 200,000 visitors on October 2, and the Lushan Mountain scenic area in Jiangxi province, with about 3,000 car parking spaces, was unable to cope with at least 8,000 inbound cars. At Huashan Mountain in Shaanxi province, tickets sales were restricted to control the number of tourists. Dr Sun Yat-sen’s Mausoleum in Nanjing, Jiangsu province, handled a visitor volume 10 times its capacity. Ticket revenue in scenic spots at the start of the holiday hit CNY309 million, up by a third on last year, the China National Tourism Administration said. The number of tourists at 119 major scenic spots across the country rose by 21% during the eight-day “golden week” holiday, compared with the same period last year. About 34.25 million tourists visited the major attractions, generating about CNY1.77 billion in revenue – up by nearly a quarter from last year. Despite heavy traffic congestion on China's roads, the Ministry of Public Security said the number of road accidents during the holiday was down 24.1% compared with the previous year.

- Beijing authorities announced plans to build a massive water park, spanning 1.2 million square meters, near the popular 798 Art District. The project will cost more than CNY50 billion. Construction will begin next year and will take two years to complete.
- Authorities in Fujian will begin a comprehensive hotel survey this month to gain a better understanding of the development of the province's tourism industry. The survey will include information on room occupancy rates, the expenditure of guests and each hotel's transportation figures for shuttling clients to various locations.

VIP VISITS

Former Taiwanese Premier visits mainland China

Former Taiwanese Premier Frank Hsieh became the most senior politician from the opposition Democratic Progressive Party (DPP) to visit the mainland. “I hope to prove that the DPP is capable of handling cross-strait relations and solving problems for Taiwanese businessmen based in China,” he told reporters at a Taiwanese airport. Hsieh served as Premier from 2005 to 2006. and was the DPP’s presidential candidate in the 2008 elections. He visited Xiamen, Dongshan Island and Beijing. Hsieh visited the mainland 18 years ago as a legislator. State Councillor Dai Bingguo and Taiwan Affairs Office Director Wang Yi held talks with Hsieh.

ONE-LINE NEWS

- Former U.S. Secretary of State Henry Kissinger sharply criticized both U.S. presidential candidates for appealing to American suspicions of China in their campaigns. Kissinger said that the candidates have used “extremely deplorable” language, labeling China a cheat. Kissinger has endorsed Mitt Romney but made clear that he opposed the candidate’s promise to designate China a currency manipulator, saying virtually all China experts oppose it. Kissinger said “theoreticians” advocating that step lacked experience with China.
- The Japanese government has appointed Masato Kitera as Ambassador to China. The career diplomat has little Chinese experience, but is expected to help ease escalating Sino-Japanese tensions. Tokyo earlier announced plans to appoint Shinichi Nishimiya to replace current Ambassador Uichiro Niwa, but Nishimiya died last month after collapsing on a Tokyo street. “Naming someone who has no China experience simply tells us that Tokyo does not pay much attention to Sino-Japanese ties,” said Zhou Yongsheng, Japanese Affairs Expert at the China Foreign Affairs University.
- Foxconn Technology Group denied production was affected at a plant in Henan province that makes Apple's iPhones, although state media said some workers halted production lines over higher quality control standards for the iPhone 5. The NGO China Labor Watch also reported that 3,000 to 4,000 workers at the Foxconn plant in the Zhengzhou went on strike.
- China Guangdong Nuclear Power Holding Co (CGNPC) and France's Areva have dropped out of the bidding for the UK’s planned nuclear Horizon project, which includes up to six nuclear reactors to be built in the UK. A winning bidder should be announced in three to five weeks. Horizon was put up for sale by its German owners E.ON and RWE in March, after Germany’s decision to get out of nuclear power.
- Chinese auctioneer China Guardian – the world’s third largest auction house – held a sale of Chinese art and classical furniture in Hong Kong. Over 300 collectors vied for more than 300 Chinese paintings and calligraphy including works from renowned artists Zhang Daqian and Qi Baishi. China Guardian’s key rival Poly International is also planning an inaugural Hong Kong sale in late November, while A&F Auction and Beijing Rongbao Auction aim to enter Hong Kong in one or two years.

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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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