法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 3 DECEMBER 2012

ACTIVITIES BY FCCC STRUCTURAL PARTNERS

Lecture “New Confucianism and the Mandate of Heaven” by Prof Bart Dessein – 11 December 2012 – Ghent

Prof Bart Dessein will hold a lecture on “New Confucianism and the Mandate of Heaven” on December 11, 2012 from 12.00 h till 14.00 h. at the room Rector Blancquaert, Het Pand, Onderbergen 1, Ghent.

Contrary to what is currently customary, this session will not deal with the speed and efficiency with which the “Middle Kingdom” left its Maoist heritage behind, and, in a relatively short period of time, became one of the key actors on the world stage. A closer look at what happens in China shows that intellectual and political leaders are more and more emphasizing the revaluation of, and affiliation with the Confucian tradition. This session will deal with the “Mandate of Heaven” as one of these Confucian concepts, and with the question how the Chinese political and intellectual classes have identified and – so it seems – still identify themselves with this concept. This “Mandate of Heaven” will be addressed chronologically, i.e., in imperial China, the Republican period and the Maoist period, to conclude with a discussion of its current interpretation.

PAST EVENTS

Conference: “How to protect your trade secrets in China?” – Thursday, 22 November 2012 – Kortrijk

The Flanders-China Chamber of Commerce (FCCC), POM West Flanders, the Province of West Flanders, VOKA and Jones Day organized a conference on “How to protect your trade secrets in China?” on 22 November 2012 at Hotel Messeyne in Kortrijk. Highly experienced attorneys from Jones Day’s China offices provided concrete guidance and shared their insights. Following a word of welcome and a brief introduction by Mrs Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce and Serge Clerckx, Partner at Jones Day Brussels, Horace Lam and Sébastien Evrard, Partners at Jones Day Beijing, gave some interesting tips to protect trade secrets in China. Their presentation was followed by and Q&A session and a cocktail and networking session.

Seminar: “Which road ahead for China's economy?” – 19 November 2012 – Barco, Kuurne

The Flanders-China Chamber of Commerce (FCCC) organized an interesting seminar on China’s macro-economic perspectives on 19 November at the offices of Barco in Kuurne.

Mr Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) started with the introduction of the conference. Mr Alexander van Kemenade, Senior Economist at the Economist Intelligence Unit, presented the EIU’s long-term macroeconomic forecasts for China and discussed these in light of the new leadership’s challenges and reform prospects. He also touched upon the current downturn in China and recovery prospects.

Mr van Kemenade also turned to regional growth trends within China. Over the past decade, the changing nature of China’s economy has been underscored by a profound geographical shift in growth dynamics. The centers of economic change are no longer found on the coast in Shanghai or Shenzhen, but further inland as historically-sluggish regions begin to benefit from a recent wave of investment.

Mr Alexander van Kemenade’s area of expertise is China’s macroeconomic and political outlook, with a focus on regional dynamics at the sub-national level. He regularly contributes to the Economist Intelligence Unit’s custom research and has co-authored numerous in-house publications. He manages a number of data products, including Access China’s province- and city-level demographic forecasting model, as well as the Economist Intelligence Unit’s Chinese city competitiveness rankings. He is fluent in Mandarin and has lived in China for over 20 years.

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

Tax cuts to benefit enterprises

China’s new round of structural tax cutting may benefit over 900,000 enterprises nationwide, according to a working conference held in Nanjing to discuss replacing a business tax with a value-added tax (VAT). About 910,000 enterprises are covered by the tax-cutting program, according to the meeting jointly held by the Ministry of Finance and the State Administration of Taxation (SAT). Shanghai piloted the program on January 1 in an effort to reduce the overall tax burden and boost the transport and service sectors. The pilot was then expanded to provincial regions including Beijing, Guangdong and Zhejiang. Hubei province and Tianjin joined the program from December as previously agreed. The preparations are progressing well, and the performances of the pilot programs have exceeded previous expectations, said representatives at the conference. The reform has effectively promoted the growth of the tertiary industry, especially the service sector, and encouraged the development of small and micro-sized companies. In Shanghai, the tax reduction has helped cut enterprises’ tax burden by CNY22.5 billion in the first 10 months of this year, while in Beijing, the new measure has trimmed tax revenue by CNY2.5 billion in two months.

Crédit Agricole predicts liberalization of financial markets

Crédit Agricole predicts in a report that the new policies of China’s leaders will include liberalization of financial markets, especially for bonds, interest rate derivatives and foreign exchange. Interest rate policy would be liberalized away from setting deposit and lending rates to targeting short-term money market rates, while reliance on loans would be cut in favor of equity and bond financing. The daily trading band of the yuan would be widened gradually, at least doubling in size in next year's first half and eventually eliminated, and the capital account would increasingly be opened with the bond market leading the way. Yuan convertibility should be “strongly enhanced” within 10 years, the report says. At a recent meeting of Chinese officials, three areas were deemed of high priority: to enforce transparency of budgets and fiscal spending to constrain government officials; legal reforms as the entry point for political reforms; and land reforms to accelerate urbanization and narrow the urban-rural wealth gap. “We think two reforms are in the making: abolishing the one-child policy and privatizing rural land. The first could be executed from 2013 to 2015, while the second is likely to be carried out after 2015,” the report said. In a separate report by British think tank Lombard Street Research, Chairman Charles Dumas said reform would be difficult for Beijing because the losers from economic rebalancing were likely to be people close to the leadership, given that changes could go against the interests of state-owned monopolies, banks and local governments. “Without major, painful and unpopular policy changes, China's growth could be stuck at or below 5%, with a financial crisis also likely,” Dumas warned.

China UnionPay sets up international subsidiary

China UnionPay, the country’s largest bank card services provider, launched UnionPay International Co in Shanghai in a bid to build up its global payment networks and an international payment brand. China UnionPay has established networks in as many as 135 countries and regions, and has issued more than 12 million bank cards overseas in some 30 countries and regions. In the third quarter of 2012, consumer payments by bank card reached CNY4,152 per capita nationwide, and 46.3% of the entire population holds bank cards, a 6.1% year-on-year increase. More than 60 commercial banks from China and other countries have become initial members of UnionPay International. In the first half of 2012, 42.7% of social retail goods were transacted via bank cards in China, and a growing number of Chinese enterprises and individuals have been using China UnionPay cards for cross-border settlement.

- The yuan has strengthened 1.9% since September 3 on the spot market, more than offsetting the 0.86% depreciation during the first eight months, China Foreign Exchange Trade System data showed. The central parity rate set by the People's Bank of China (PBOC) was up 0.84% in the past three months, a sign taken by economists that the bank is more tolerant about the recent appreciation trend. The exchange rate is tending toward equilibrium, PBOC Governor Zhou Xiaochuan said earlier.

- Indian power group Lanco Ifratech plans to raise as much as USD2 billion from China for new projects, in a further sign that heavily indebted Indian companies are turning to Chinese financing to fund future expansion. The New Delhi-based group said that it had struck a deal with state-owned China Development Bank (CDB) to raise USD600 million to finance the construction of two new power plants. In exchange Lanco said it would buy Chinese power equipment for both projects, while CDB will help the group syndicate further loans from other Chinese banks to reach its USD2 billion target.
- Shadow finance in China totals about CNY20 trillion, according to Sanford C. Bernstein & Co, or about a third the current size of the country's bank-lending market. In 2008, such informal lending represented only 5% of total bank lending. The sector is lightly regulated and opaque, raising concerns about massive loan defaults. Banks often work with private lenders by selling loans to them or marketing investments on their behalf for a fee.
- Banks and financial institutions had issued about 3.4 billion bank cards by the end of the third quarter, up 21.2% from a year earlier, according to the People's Bank of China (PBOC). A total of 3.1 billion debit cards were issued, up 21.4% year-on-year, while 318 million credit cards were issued, an increase of 18.8%. The Chinese government has approved a plan to reduce bank card fees, with the rate expected to fall by 23% to 24% from February 25, 2013. The reduction in the fees to be paid by retailers will vary according to sector. The charge on credit-card payments in the dining and entertainment industries will be cut the most, to 1.25% from 2%.
- Yuan international payments fell by 10% in October over the previous month, a report by SWIFT RMB Tracker showed. October was the second consecutive month that saw a decline in yuan payments, leading to it being demoted to 16th place in the world currency payment table. Institutional transfers, as opposed to trade settlements, are driving the adoption of the yuan, representing 98% of the total payment value for the United Kingdom and 94% for Singapore in October, the report said.
- China's total social financing could reach CNY15 trillion this year, representing 26% of gross domestic product (GDP) in 2012, a report from Barclays showed. The share of bank credit in total social financing is now 55%, down from 58% in 2011 and 70% in 2008, while that of debt financing has jumped to 14.3%, from 9.5% in 2011 and 8% in 2008.
- China isn't a currency manipulator under U.S. law, though the yuan "remains significantly undervalued" and needs to rise further, the U.S. Treasury Department said. China "has substantially reduced the level of official intervention in exchange markets since the third quarter of last year", the Treasury said in a statement accompanying its semi-annual currency report to Congress. The yuan has gained 9.3% in nominal terms and 12.6% in real terms against the dollar since June 2010, the Treasury said.
- Standard Chartered said it became the first foreign bank in China to be granted a yuan-denominated loan quota on behalf of a client. An unidentified American multinational company was approved by the People's Bank of China's Shanghai branch to lend CNY3.3 billion to its overseas affiliates directly to fund their yuan-denominated activities abroad, the bank said.
- Yuan trading on the mainland has become more transparent as the China Foreign Exchange Trade System (CFETS) makes real-time official data available to investors outside the country for the first time. The launch of the data service last week is the latest step towards the yuan's internationalization. The service, provided by Bloomberg, allows users access to live interbank pricing in the onshore yuan market from CFETS, a unit of the People's Bank of China (PBOC).

FOREIGN INVESTMENT

FDI still to surpass USD100 billion this year

Although foreign direct investment (FDI) inflows in 2012 have seen the longest monthly run of year-on-year declines since 2009, hurt by a weak outlook for corporate investment and sagging global trade, FDI should still top USD100 billion for the third year running. That would bring China's total since 2007 to about USD625 billion, based on data from United Nations agency UNCTAD, during which time a rally in the yuan currency has sliced 25% from exporters' margins. Vietnam, Bangladesh, Indonesia and Thailand combined managed to snag only USD141.6 billion in FDI between them from 2007 to 2011, despite being repeatedly touted as the places to which manufacturers fleeing China flock. What keeps the money coming to China is a steady shift away from cheap assembly lines to high value-added production and from volatile external demand to the spending power of a new mainstream consumer class that analysts at McKinsey reckon will rise 10-fold between 2010 and 2020. The decline of low-end manufacturing fits with China's ambition to drive firms up the global value chain to help sustain the wage rises vital to attaining developed economy status and avoiding a "middle income trap" of low wages and stagnating growth. Under government guidance on foreign investment issued in December 2011, China aims to lure more FDI in advanced manufacturing, as well as services, including logistics, research and development (R&D), higher education and vocational training. Supply chains and relatively sound infrastructure still make China a preferred destination for many foreign investors, the Shanghai Daily reports.

- Nestlé and Hutchison China Meditech, a drugmaker controlled by Li Ka-shing, have agreed to form an alliance to develop gastro-intestinal treatments based on traditional Chinese medicine. Nestlé Health Science and Chi-Med will each own half of the Nutrition Science Partners (NSP) venture. NSP will also take on an experimental medicine known as HMPL-004 and oversee late-stage clinical trials on treatments for ulcerative colitis and Crohn's disease.
- Chinese firms' outbound investments will match incoming flows in 10 years, Minister of Commerce Chen Deming said. Chinese companies are encouraged to go abroad as China cannot allow its USD3.29 trillion foreign exchange reserves to depreciate further with the third round of the United States' quantitative easing, Chen said at a financial forum hosted by Caijing magazine in Beijing. He said China is likely to invest more than USD70 billion abroad this year. FDI coming into China totaled USD116 billion last year.
- A Chinese industrialist has sealed the landmark purchase of Chateau Bellefont-Belcier, a leading estate in France's prestigious Saint Emilion winemaking area. The property is the first of its rank – Grand Cru Classe – to be acquired by a Chinese investor. A source close to the deal said the final price was between €1.5 million and €2 million per hectare of vines. Chinese investors have acquired around 30 lower-ranked properties in Bordeaux, the larger region that includes Saint Emilion, in the last two years, and this year has seen China become the region's biggest export market in terms of volume.
- Foreign direct investment (FDI) in China's financial institutions dropped to USD1.53 billion in the third quarter of this year, compared with the previous three months. The decline occurred after FDI in the institutions almost tripled from USD623 million in the first quarter to USD1.79 billion in the second quarter. Meanwhile, Chinese financial firms spent USD901 million in net outbound equity investments in the third quarter, the State Administration of Foreign Exchange (SAFE) said. Outbound investment increased from USD375 million in the second quarter, but were lower than the first quarter's USD1.55 billion.
- Agribusiness company New Hope Group is expanding to South Africa, Egypt, and Eastern and Central Europe after a decade of exploration in Southeast Asia. New Hope Chairman Liu Yonghao said the company will set up factories or acquire companies dealing in the pork, poultry and dairy sectors. Since 1999, when it launched its first factory in Vietnam, New Hope has set up more than 20 animal feed plants and poultry farms in Southeast Asian countries, including the Philippines, Indonesia, Cambodia and Singapore.

FOREIGN TRADE

China’s cheese imports booming

China’s cheese market is booming. Cheese imports totaled USD139.26 million in 2011, up from USD105.45 million in the previous year, and USD69.77 million in 2009, according to the Italian Trade Commission. “Both foreign producers and domestic dairy giants are sending positive signals. More foreign brands want to come in, and sales in China are growing rather fast,” said Han Jin, General Manager of Shanghai Roria Trading Co, a local distributor of imported food. Han’s company sold 40 metric tons of imported cheese in 2009, and the figure rose to around 100 tons in 2011. Entrepinares from Spain and Parmalat from Italy have been cooperating with Roria. Parmalat saw its annual sales in China increase by more than 100% in the past year. “The nation’s consumption of cheese is growing at a stunning speed,” Han said. With the rapid expansion of fast-food chains such as Pizza Hut and McDonald’s, most Chinese people have tasted cheese, and can accept it. Leo Liu, a cheese trader who runs an online store on Taobao.com, China’s biggest e-commerce website, said mozzarella and cream cheese from New Zealand are his bestsellers. Simone Ficarelli, Manager of international activities at Italy’s Parmigiano Reggiano Cheese Association, said it has been working since 2003 to promote cheese in China, and the region’s Parmesan cheese is now available in many supermarkets, restaurants and hotels in China. The Italian Trade Commission said the value of Italian cheese exports to China had doubled to USD4.79 million from 2009. New Zealand saw its China sales surpass USD58 million last year, with the nation holding a 41% share of China’s cheese market. According to a report by food and drink consultancy Zenith International in 2009, consumption of cheese accounts for just 4% of China’s dairy products market, which points to the huge potential for the industry. Chinese dairy firms, such as Mengniu, Yili and Bright Dairy, have all introduced cheese products in recent years, but none has acquired a dominant position yet, the China Daily reports.

- The European Commission decided to formally cancel the anti-dumping duties imposed on Chinese lighters, a move that will take effect on December 12. BIC, a disposable pocket lighter manufacturer based in France, had filed a petition for extending the anti-dumping measures on Chinese lighter makers by another five years, but the petition has been denied. BIC’s profit enjoyed its biggest surge on record this year. The punitive anti-dumping duties against Chinese lighters had been in place for 21 years.
- Tensions between the United States and China over trade and investments will rise under the leaderships of Xi Jinping and re-elected President Barack Obama, but Chinese investments in the U.S. will nonetheless soar, say lawyers involved in Sino-U.S. deals. “Obama will be tough on trade with China because it's good politics,” said Edmund Sim, Partner at Appleton Luff, a U.S. law firm.

IPR PROTECTION

Memory House and Apple in court in copyright case

Chinese publisher Beijing Memory House Co is suing Apple in Beijing, accusing it of selling unlicensed electronic versions of books written by one of its writers, Ai Jingjing. Memory House is seeking compensation of CNY380,000 for copyright violation. In another case, a Beijing court on November 13 ordered Apple to pay CNY520,000 to the Encyclopedia of China Publishing House for copyright infringements. Apple has appealed to a higher court in that case on the grounds that the compensation is too high. In October, eight Chinese writers sued Apple for illegally selling their books in the App Store, demanding the company pay more than CNY10 million in compensation for 34 works. The court has not yet announced a verdict. Legal experts said the recent cases might be the first of many as unlicensed applications or e-books by Chinese writers could still be found in the App Store. A program developer said that in the U.S. the company paid close attention to copyright problems when checking applications for the App Store, but supervision was apparently much weaker in China.

- A national design patent information center was officially unveiled in Wuxi in early November that is expected to help companies improve their capacity in industrial design and proprietary innovation, said He Quan, Vice Governor of Jiangsu province. Authorities should take advantage of opportunities offered by the center to advance the growth of the local creative industry, he said. The list of winners of the China

Design Patent Contest was announced on November 29.

- The number of invention patents approved in the first nine months of this year in Shanghai was five times the number set as a national goal, but there is still room to grow, the Shanghai Intellectual Property Administration said. The average number of invention patents in Shanghai was 16.56 per 10,000 people. From January to August, the number of all types of patent applications in Shanghai climbed 8% last year to 51,860. The biggest increase came from invention patent applications, which made up 45% of the total and grew 19.8% from 2011.

MACRO-ECONOMY

Personal income lags behind GDP growth

Official statistics show that the average personal income of Chinese citizens has been growing at a slower pace than GDP and fiscal revenue for the past three decades. Between 1979 and 2011, China's GDP rose from CNY406.2 billion to CNY47.3 trillion, with an average annual growth rate of 9.9%. By contrast, the per capita disposable income of Chinese urban dwellers in 2011 was CNY21,810, representing an average annual growth rate of 7.4% over the same period. The per capita income of rural residents in 2011 was a mere CNY6,977, less than one-third of the urban income level and only about 15% of the world's average level, according to data from the National Bureau of Statistics (NBS). The United Nations suggested that China is one of the most unequal societies in terms of wealth distribution, as China's Gini coefficient has probably reached 0.55, while the international alert line is 0.4. Experts say that China's low income level and the widening wealth gap are exerting a negative influence on the country's overall economic development. "Limited increases in personal income would lead to weak domestic consumption, which is not healthy for sustainable economic development," NBS statistics expert Liang Da wrote in a report. "Without the driving force of domestic consumption, the economic growth would only result in overcapacity, overstocking, decreased efficiency and, finally, economic recession," he added, while people with a high income were not necessarily promoting domestic consumption. They invest 60% to 70% of their income in real estate and equities and also spend part of their income abroad. The widening income gap has been highlighted as a key challenge for China's new leaders. "We should improve the way in which income is distributed, protect lawful income, increase the income of low-income groups, adjust excessively high income and prohibit illicit income," President Hu Jintao said. An income distribution system reform plan is expected to be launched by the end of this year, Ministry of Human Resources and Social Security Spokesman Yin Chengji said, as reported by the China Daily.

Chinese industrial companies' profits surge in October

Chinese industrial companies' profits surged in October and turned positive for the year as factory output accelerated and export growth picked up following a seven-quarter economic slowdown. Net income gained 20.5% from a year earlier to CNY500.1 billion, the National Bureau of Statistics (NBS) said. Profits in September rose 7.8%, the first gain in six months. Both industrial production and overseas shipments increased in October by the most since May. The gains reduce the impetus for the new Communist Party leadership headed by Xi Jinping and Li Keqiang to build on policy stimulus including interest-rate cuts in June and July. "The improved industrial profitability further confirms that the Chinese economy is stabilizing and gaining growth momentum," said Ding Shuang, Senior Economist for China at Citigroup in Hong Kong. "The profit number, together with other economic indicators, shows there is no need for the government to launch new easing policies." Citigroup raised its 2013 GDP growth forecast for China to 7.8% from a previous estimate of 7.6%. Most large- and medium-sized Chinese steel mills reversed losses in October, according to Liu Zhenjiang, Vice President of the China Iron & Steel Association (CISA). Baoshan Iron & Steel, the nation's biggest publicly traded mill, said on November 12 that it would raise prices for most cold-rolled products for December delivery, the first increase in three months. The revenue of industrial companies in the first 10 months increased 10.3% from a year earlier to CNY73.7 trillion, as sales rose 29.1% in the January-October period of 2011. Among 41 industries covered by the statistics bureau data, 27 reported profits rose in the January-October period from a year earlier, including 9% growth in the auto industry and gains of 57.5% in power-company earnings. Thirteen industries reported a drop in profits, including oil and gas exploration, whose earnings fell 3.2%. The only industry to show losses in the first 10 months was petrochemicals, coking and nuclear-fuel processing, the Bureau said. Private business reported a profit growth of 17% to October, while those of foreign-invested firms and firms in Hong Kong, Macao and Taiwan slumped 9.2%. State-owned enterprises said their profits also fell 9.2% during the first 10 months.

Salary growth slows in China

Wage increases have slowed on weaker corporate profits, capping consumer demand as the government seeks to sustain a rebound after a seven-quarter economic slowdown. Average urban salaries rose 12% in the first nine months from a year earlier without adjusting for inflation, slowing from 14.4% for all of last year and 13.3% in 2010, government data show. Declines in wage growth would undermine efforts by the new leadership under Xi Jinping to boost consumer spending and shift the world's second-biggest economy away from dependence on investment and exports. “Given the poor profit picture, wage growth is bound to slow down in the coming quarters and this is set to reduce the robustness of consumption,” said Louis Kuijs, Chief China Economist at Royal Bank of Scotland (RBS) in Hong Kong, who formerly worked at the World Bank in Beijing. “The expected slowdown will impact the rebalancing in the sense that it will reduce the relative role of consumption in the short term.” Li Keqiang, the second-highest ranked official in the new Communist Party leadership and set to take over from Wen Jiabao as Premier in March, said that household spending is key to boosting local demand. Minimum wages rose an average 19.4% in 18 provinces this year up to September 30, following nine-month gains of 21.7% in 21 provinces last year and 24% in 30 provinces in 2010. China has targeted an annual average increase of 13% for 2011-15. Consumption, which includes government and household spending, fell to 49.1% of gross domestic product in 2011 from 59.6% in 2002, when Hu Jintao began his decade as Communist Party General Secretary. Last year's figure was close to the lowest contribution since China's reform and opening up policy started in 1978, government data show, the South China Morning Post reports.

OECD cuts China’s growth forecast

The 34-member Organization for Economic Cooperation and Development (OECD) cut its growth forecast for China’s economy next year to 8.5%, down from a 9.3% prediction in May, citing a still unresolved eurozone crisis that could mute demand for Chinese exports for months to come. The Chinese economy should grow 7.5% this year, the Paris-based group said, with growth cresting at 8.9% in 2014. Growth in exports should not exceed 9% over the next two years, the group said. The country’s fiscal deficit is also projected to stand at a healthy 2% this year and 2.2% in 2013, well below an OECD average of 4.6% for 2013. Chinese demand for housing is starting to improve again, it said, and banks have started lowering mortgage rates for first-time buyers, further boosting sentiment. This, combined with rising wages, supported retail sales in the first nine months of the year, the OECD said. “For the first time in about a decade, consumption is set to contribute more to growth this year than capital formation,” the OECD added.

- The central government's attempt to control soaring health costs by scrapping a long-standing mark-up on medicine sales has run into stiff resistance from directors of major hospitals. The move by Health Minister Chen Zhu has garnered wide support from health care reform advocates, who argue that the 15% add-on, which most hospitals depend on to cover their salary costs, has resulted in doctors overprescribing drugs to their patients. But hospital executives contend that the loss of revenue would be crippling. Only two hospitals in Beijing – Friendship Hospital and Chaoyang Hospital – and 10 in Shenzhen have stopped charging the mark-ups. The Health Ministry hopes to end the practice nationwide by 2015.
- More than 10,000 people set up their own business in Shanghai in the first 10 months of the year under a government-backed project to encourage entrepreneurship, the Shanghai Human Resources and Social Security Bureau said. The project provides guaranteed loans and subsidies. In the past three years, around 39,000 people started a business with the help of the city government. Their businesses also helped more than 317,000 people to secure a job.
- The value of smuggled goods rose about 20% in the January to September period from a year ago. Customs had uncovered 1,415 cases of smuggling by the end of September, involving goods worth CNY22.8 billion. In 2011, authorities uncovered 1,776 smuggling cases involving products worth CNY28.77 billion, up 14% over the previous year in terms of value. Electronic goods, chemicals, frozen meat and

seafood, as well as luxury cars and car parts accounted for most of the seized products. Rare earths and precious artifacts account for most of the smuggled items leaving the country.

- China's economic growth will pick up in the fourth quarter after slowing for seven consecutive quarters, due to booming domestic consumption and increasing infrastructure investment, according to a report by the Institute of Economic Research of Renmin University of China. The economy is expected to grow by 8.4% year-on-year in the October-December period, up from 7.4% in the third quarter.
- The annual central economic working conference, usually held in early or mid-December, will likely maintain the 2013 annual growth target at 7.5%, unchanged from this year's, said He Keng, Deputy Director of the Financial and Economic Affairs Committee of the National People's Congress (NPC). Economists have been discussing whether incoming Premier Li Keqiang may favor growth as low as 7% for next year. China is confident of meeting its economic growth target of 7.5% this year, Commerce Minister Chen Deming said.
- The income gap between men and women in China is growing partly because of gender inequality, according to a survey by the All-China Women's Federation. In 2010, urban women's income was 67.3% that of men's and rural women's income was 56% that of their male counterparts. The ratios were 77.5% and 79% in 1990. Women make up about 45% of all employees, while only one in four entrepreneurs is female.
- China's manufacturing activity grew in November for the second month in a row. China's purchasing managers' index (PMI) reached 50.6 last month, up from 50.2 in October and 49.8 in September and the highest since hitting 53.3 in April, figures from the National Bureau of Statistics (NBS) showed. The November figure came in below the 50.8 median forecast of 10 economists surveyed by Dow Jones Newswires. The final reading of the HSBC Purchasing Managers' Survey (PMI) rose to 50.5 in November from 49.5 in October, in line with a preliminary survey published late last month.
- China's grain harvest hit a record for a ninth straight year in 2012, with total output up 3.2% to 589.57 million tons. Domestic corn output reached a record 208.12 million tons, up 15.34 million tons, or 8%, compared with 2011. Rice output rose 1.6% or 3.28 million tons to reach 204.29 million tons, the highest ever, while wheat production hit 120.58 million tons, up 3.18 million tons or 2.7%. Wheat output was the second largest ever. The bumper grain harvest should reduce the country's import demand next year.

MERGERS & ACQUISITIONS

BGI-Shenzhen battling to take over Complete Genomics

Chinese genetic research company BGI-Shenzhen is defending its bid for U.S., Mountain View-based Complete Genomics after a U.S. rival of the group said the potential deal would give too much sensitive information to China and could raise national security concerns. The case raises new questions over how the U.S. judges the independence of Chinese companies whose funding is linked to the Chinese government, and whether the concern the Obama administration has shown in the past for cross-border deals involving communications technology also applies to medical and scientific fields. If the transaction is cleared, it will represent an opportunity for BGI-Shenzhen, China's leading genetic research company, to make significant inroads into the U.S. market. The Committee for Foreign Investment in the U.S. (CFIUS) that vets foreign takeovers of sensitive U.S. assets, is conducting a national security investigation into BGI's USD118 million bid for Complete Genomics, which is expected to conclude by the end of the year. The deal faces a challenge from Illumina, a San Diego-based company that has made an offer that is 5% higher. But a combination between the two U.S. companies faces its own potential hurdles, with BGI arguing that the deal would not be passed by antitrust authorities. In a letter to Complete Genomics' board, Illumina said a takeover of the company by BGI represented a "material risk" for shareholders because it raised "national security, industrial policy, personal identifier information protection and other concerns". It said BGI was a "foreign state owned entity" and raised the Obama administration's recent decision to unwind a deal involving a Chinese company and four wind farms as evidence that the genome deal would fail to win approval. BGI-Shenzhen says it is a non-profit genomic research institute and that its equity is owned by BGI employees, who are private citizens. BGI was founded by Danish-trained Chinese geneticist Yang Huanming in 1999. The company does genetic sequencing for organisms such as rice and silkworms, as well as research for global companies such as Merck and Pfizer, with whom BGI recently completed a cancer-related research project, the Financial Times reports.

- CNOOC has withdrawn and resubmitted its CAD15.1 billion bid for Canada's Nexen to United States regulators for approval. CNOOC did not provide a reason but said it was done "by mutual agreement" with the Committee on Foreign Investment in the U.S. (CFIUS). Nexen's U.S. unit operates in the U.S. portion of the Gulf of Mexico. The Canadian government is still reviewing the sale of Nexen under its foreign-takeover law until December 10, when a decision is due.
- China's State Grid Corp will buy a 41.1% stake in Australian power supplier ElectraNet from Powerlink, owned by the Queensland state government. Sun Jinping, Chief Investment Director of State Grid, said the Chinese utility won't assume an operating role and that it will be "business as usual" for Electra-Net. Liu Zhenya, President of State Grid, said earlier this month the utility aims to quadruple its overseas assets to USD50 billion by 2020, as these yielded higher returns than domestic operations which are regulated by the government.

PETROCHEMICALS

Venezuela to double oil exports to China

Venezuela is looking to double its daily oil exports to China to 1 million barrels in 2015 from the current level of 500,000 barrels, Venezuelan Oil Minister Rafael Ramirez said. Venezuela is expected to become one of China's major petroleum suppliers. According to statistics from the Organization of Petroleum Exporting Countries (OPEC), in April 2012, Venezuela was the fourth-largest source of China's oil imports after Saudi Arabia, Angola and Russia. The country exports a daily average of 460,000 barrels of crude oil to China, accounting for 8.3% of the nation's total oil imports. China's oil imports from Venezuela have been growing from 49,000 barrels a day in 2005 to the current level of around half a million. A joint venture set up by PetroChina and PDVSA, Venezuela's national oil company, is currently producing 100,000 barrels of crude oil per day, and Minister Ramirez expected the amount to increase to 1.1 million barrels a day. PetroChina was planning to invest more than USD4 billion in exploring the Orinoco reserve. Zhang Ping, Chairman of National Development and Reform Commission (NDRC), said oil imports from Venezuela are expected to reach 29 million tons this year, and will continue to rise in the next few years to reach the goal of 50 million tons. Trade between China and Venezuela reached USD18.2 billion in 2011, up 75.5% year-on-year, the China Daily reports.

- China North East Petroleum Holdings (CNEP) and company executives were sued by the U.S. Securities and Exchange Commission (SEC) over claims that offering proceeds were fraudulently diverted to insiders' personal accounts, making USD59 million without proper disclosures. Starting in 2009, Wang Hongjun, CNEP's President and Chief Executive, and a company founder, Ju Guizhi, engaged in "numerous undisclosed, related-party transactions" involving the company, the SEC said.

REAL ESTATE

Dispute about Bund property goes to court

A dispute over ownership of a prime location on the Bund in Shanghai has been aired in court. Fosun Group, headed by billionaire Guo Guangchang, is suing SOHO China, a major commercial real estate developer, and other parties for breaching Fosun's rights to acquire a major stake of the Bund plot. Shanghai Zendai Property bought the land in 2010 for CNY9.22 billion, the most expensive plot on the Bund at that time. Fosun then bought a 50% stake, with the balance shared by affiliates of Zendai and another property developer Greentown China Holdings. Fosun says it has a contract that stipulates the other parties cannot sell their holdings to a third party without its written consent. However, SOHO bought the other 50% stake in Zendai for CNY4 billion last year. A lawyer for Fosun told the Shanghai No 1 Intermediate People's Court that SOHO and the other parties were "clearly attempting to bypass contract terms" by secretly buying the companies. SOHO's lawyers argued that the purchase of the companies was a normal and legal business activity. SOHO acquired the stake because the other parties were in financial trouble and had been unable to reach a deal with Fosun. Fosun's lawyers said the company is willing to buy back the stake from SOHO at the same price SOHO paid, while the defendants' lawyers said they are willing to seek mediation. The court did not announce a decision.

- Authorities have demolished a five-story home that remained standing in the middle of a new main road on the outskirts of the city of Wenling in Zhejiang province. It had become the latest symbol of resistance by Chinese home owners against officials accused of offering unfair compensation. The owner agreed to accept compensation of CNY260,000. Luo, 67, had just completed his house at a cost of about CNY600,000 when the government approached him with their standard offer of CNY220,000 – which he refused.
- Moody's Investors Service raised its outlook for China's property sector to stable from negative on optimism property sales will continue to grow moderately in 2013. The rating agency expects China's home sales to grow by single digits annually over the next 12 months but the average selling prices will be lower as developers have shifted their focus from luxury homes to mass market housing. "A solid underlying demand, the continuing trend of urbanization, and an increase in the development of affordable mass market housing should drive sales growth," Moody's said in a report.
- Hong Kong home prices should tumble 20% before reaching a reasonable level, said Stanley Wong, Chairman of the Subsidized Housing Committee under the Housing Authority. The Centa-City Leading Index, which tracks prices at 100 mass- and luxury housing estates across the city, recorded its first fall in the past eight weeks after a 15% stamp duty was introduced on companies and non-permanent residents who buy homes in the city from October 27. Home prices have shot up by 20% since January. Adrian Ngan, Analyst at Citic Securities International, expected home prices to drop 3% to 5% in the next six months. Alfred Lau, Property Analyst at Bank of Communications International, predicts home prices will rise by 5% next year.

RETAIL

Costs of living on the rises in top Chinese cities

In Beijing the prices of most items on the supermarket shelves now far exceed the prices of similar items in Hong Kong and London, which have long been among the world's most expensive cities. A South China Morning Post survey of some commonly bought grocery items found that a 500 gram loaf of bread that sells for HKD8.60 in Hong Kong and the equivalent of HKD9.93 in London, cost the equivalent of HKD13.52 in Beijing. Similarly, a 250 gram bag of Starbucks coffee beans cost HKD80 in Hong Kong and HKD50 in London, but HKD105 in Beijing. Across the board, imported and foreign brand items were often more expensive in Beijing, although locally produced items, such as eggs, were cheaper. The latest annual cost of living survey by compensation-consulting firm Mercer found Beijing and Shanghai to be pricier than New York and London. Shanghai was ranked 16th followed by Beijing at 17th place, ahead of London (25th) and New York (32nd). Hong Kong, however, was still pricer, ranking ninth. Other major Chinese cities were catching up quickly. Shenzhen and Guangzhou were ranked, 30th and 31st, respectively, up 13 and seven places from last year. A cost of living survey by The Economist Intelligence Unit (EIU) concurred, placing Beijing and Shanghai ahead of leading world financial centers, like London and New York.

- Taiwanese fast food chain 85C plans to ramp up expansion by opening 100 new cafes a year on the mainland as consumers fall in love with its quirky tastes. The number of cafes on the mainland surpassed those in Taiwan earlier this year, with 366 today versus 347 locally. The mainland contributes 70% of the chain's total annual revenue of NTD11.4 billion despite competition from Starbucks and McCafe. To distinguish itself, 85C designs outlets to look like bakeries instead of coffee houses.

SCIENCE & TECHNOLOGY

Super-hybrid rice remains controversial

Professor Yuan Longping, whose work in the 1970s made him China's "father of hybrid rice", told a seminar in Jiangsu that he would attempt to push the yield of one hectare of his "super-hybrid" rice to 15 tons by 2015, up from his current record of 13.5 tons, but agricultural experts warned this risks making the staple more vulnerable to weather, disease and pests. Yuan hopes to have a mass plantation of such rice operational by 2020 in an effort to meet the country's soaring food demands. He said the new rice could feed tens of millions more people annually. “A hectare of rice can feed 27 people today, [it] must feed 43 people by 2050,” Xinhua quoted Yuan as saying.

- Luo Yang, the 51-year-old head of production for China’s J-15 fighter jet died of a heart attack, a day after he witnessed the successful take-off and landing of two of the planes on China’s first aircraft carrier, the Liaoning. Luo was Chairman and General Manager of the Shenyang Aircraft Corp (SAC), a subsidiary of China’s state-owned aircraft maker, the Aviation Industry Corp of China (AVIC). Luo had worked almost non-stop for a week onboard the aircraft carrier and was under enormous psychological pressure.
- China has unearthed the ruins of an ancient palace near the tomb of the country's first emperor that was famous for its terra cotta soldiers. The discovery is the latest at the mausoleum, which dates back more than two millennia and became one of the greatest modern archaeological finds after a peasant digging a well stumbled upon the life-size warriors in 1974. The palace is believed to extend 690 by 250 meters.

STOCK MARKETS

Securities brokers to develop comprehensive services

China’s securities brokers are forced to expand their product scope and services because intense competition, and regulatory changes are hitting their profitability, according to a KPMG survey of 109 brokers in China. “China’s brokerage business needs to shift from a traditional trade execution model to an integrated financial services one, including providing investment advisory and wealth management businesses, in order to achieve sustainable growth,” said Bonn Liu, Partner with KPMG China. The sector suffered an annual 50% tumble in combined net profit to CNY39 billion in 2011, while gross operating revenue fell 29% year-on-year to CNY136.3 billion, the survey showed. Last year, brokerage income fell 36% amid dwindling trading volume and a commission price war, while earnings from proprietary trading slumped 77% amid a sluggish stock market. Income from underwriting and sponsorship dropped 10%.

Foreign investors pour more money into Chinese stocks

Bank of America Merrill Lynch’s global survey of fund managers, covering 248 managers with USD695 billion of assets under management, found confidence in China’s economy was at a three-year high. In October, Chinese shares listed in Hong Kong (H-shares) jumped 7.6% to easily outpace other regional benchmarks. “I think most fund managers are looking at the fundamental mismatch in their portfolio between their direct exposure to China and the role China plays in the global economy, often very little versus one hell of a lot,” said Michael McCormack, Executive Director at China-focused fund consulting firm Z-Ben Advisors. “Investors are now trying to rebalance that.” The MSCI China index, the most popular benchmark for China funds, has consistently underperformed Asian markets over the past two years, following a nearly tripling in value between October 2008 and November 2010. The H-shares are at price-to-book ratios around four times lower than in 2007, according to Thomson Reuters data. Those valuations and signs the economy is improving have boosted interest, and it seems investors are worried about missing out on riding the recovery. Data from fund-flow tracker EPFR Global shows inflows into China equity funds approached USD4 billion over the 10 weeks to mid-November, and accounted for more than half of the flows in Asia ex-Japan funds in the week to November 15. “The Chinese market has bottomed out and found a new level, so people don’t want to be negative about China anymore,” said Stuart Rae, Chief Investment Officer of Pacific Basin Value Equities at AllianceBernstein. But while the H-shares in Hong Kong are showing signs of life, China’s domestic stock markets are languishing near three-year lows. Two-thirds of Chinese companies that have posted third-quarter earnings missed expectations, according to Citi Private Bank. Profits fell an annual 5.8%, and analysts, on average, are still cutting earnings expectations for next year, the South China Morning Post reports.

Index falls to lowest level in almost four years

The Shanghai Composite Index last week fell to the lowest since January 23, 2009, below the psychological level of 2000. Wang Jianhui, Chief Economist with Southwest Securities Co, blamed the drop on tightening liquidity conditions. The current bear market has lasted for four years. Zhang Qi, Stock Analyst with Haitong Securities Co in Shanghai doubted a marked turnaround would occur in the short term. Media stocks led the decline. The Shanghai index is now down 9.5% year-to-date and 42% since August 2009, when the gauge hit its highest level since the global financial crisis. Du Liang, Analyst with Shanxi Securities, has predicted the Shanghai index could hit a low of 1800 points in the next three to five months. In a research note, Du wrote, “Judging from expectations for corporate earnings in the first quarter of next year, the market has not bottomed out”.

Revenue from underwriting dropping

Latest industry data show combined revenue generated by the underwriting business, mainly from IPOs, in the first 11 months of this year dropped by 58.2% year-on-year to CNY5.43 billion. Wind Information said 36 of the 77 qualified sponsors, mostly stockbrokers, made no profit from the underwriting business this year despite an increase in fees, which rose by an average 6.6% compared to 4.4% in 2010. The largest underwriter by volume, Guosen Securities Co, was reported to have made CNY862 million in sponsoring 22 new share issues, followed by CITIC Securities Co, which made CNY728 million from 13 separate transactions. The share of underwriting income to total revenue for the stockbrokerage industry has risen to 10% from about 5.5% since 2009. Underwriting business is now the third major source of income for brokerages after commission and proprietary trading. But with all three sources drying up, net profit is expected to fall by 5% to 10% for Chinese brokerages for the whole of 2012, and the decline could be even larger for investment banks. The China Securities Regulatory Commission (CSRC) has not released any pre-announcements – notices that should be made public a month in advance of an IPO – since late September. A total of 105 companies went public in the first half of this year. But as China’s main stock market keeps falling, fewer companies have been given permission to launch IPOs. Some 18 firms went public in July, 15 in August, 12 in September, four in October and one only in November, the China Daily reports.

PICC raises more than USD3 billion in IPO

People's Insurance Co. (Group) of China raised USD3.1 billion from its Hong Kong initial public offering (IPO), in the world's fifth-largest IPO this year. The indicative price range translates to a valuation of between 1.65 times and 1.86 times PICC's forecasted 2012 embedded value, a measure of forecasted future profits from existing life insurance policies, according to estimates from five of the underwriters in the deal. By comparison, China Life Insurance trades at 1.5 times 2012 forecast embedded value, while Ping An Insurance (Group) Co of China trades at 1.4 times, according to Deutsche Bank. Still, Hong Kong retail investors were won over by the presence of cornerstone investors like AIG and Chinese state firms like China Life Insurance, and State Grid Corp of China. The 5% retail tranche was more than 15 times oversubscribed, triggering a claw-back under which the retail portion will be increased to 7.5% of the total of 6.898 billion shares on offer. The institutional tranche, initially accounting for 95% of the total shares on offer, will fall to 92.5%. China's largest property-casualty insurer, which also has life and health insurance businesses, is scheduled to list in Hong Kong on December 7. China's Ministry of Finance will own 72.45% of PICC, while China's National Council for Social Security Fund (NSSF)will own 10.88%. PICC's offering is the fifth-biggest globally after Facebook, Japan Airlines, Banco Santander’s Mexican unit and Malaysia's Felda Global Ventures Holdings. The offer will be also the largest by a Chinese state-owned company since 2010, when Agricultural Bank of China (ABC) raised USD22.1 billion in Hong Kong and Shanghai.

- Chinese billionaire Zhang Zhirong has resigned as Chairman of two Hong Kong-listed companies, shortly after a court approved a USD14 million settlement of an insider trading case by an investment firm he owns. Zhang resigned from the boards of Shanghai-based shipbuilder China Rongsheng Heavy Industries and developer Glorious Property, officially “to devote more time to his personal endeavors”, and “there is no matter in respect of this resignation that needs to be brought to the attention of the shareholders of the company,” and announcement said.

- China Machinery Engineering Corp, a state-owned contractor with projects in Nigeria, Serbia and Ivory Coast, plans to raise about USD300 million in an initial public offering (IPO) in Hong Kong. China Machinery shares may start trading in Hong Kong this month.
- The China Securities Regulatory Commission (CSRC) called for up to half the shares of state-owned enterprises (SOEs) going public to be allocated to the National Social Security Fund (NSSF). Central and local governments are now required to transfer 10% of the initial public offering (IPO) of such enterprises they control to the pension fund. With CNY868.8 billion of assets under management at the end of last year, the Fund has been acting as a market savior in the past few years by buying stocks to underpin the market and improve investor confidence.

TRAVEL

AVIC to produce engines for passenger planes

Aviation Industry Corp of China (AVIC), which produced the J-15 jet fighters for China's first aircraft carrier, said it was aiming to test fly passenger aircraft engines by 2015. "We are going all out to resolve the bottleneck in the country's rapidly growing aviation industry – reliable and high-performance engines for passenger aircraft ," said AVIC Chairman Lin Zuoming. The group, with at least 500,000 employees, has just produced the first prototype of a high-bypass turbofan engine for large commercial aircraft, although the work may take many years. "We have produced reliable engines for military aircraft and we must also design and develop reliable, high-performance engines for passenger planes," Lin, one of the country's leading engine scientists, said. He added that China's rapidly expanding aviation sector is waiting for state-of-the-art engine technology. Total demand for aircraft engines could reach 16,000 by 2031. Zhang Jian, Vice President of AVIC Aviation Engine Holding Co, said the company had launched a special engine R&D program to catch up with advanced international standards. Investment in the program would exceed CNY100 billion. AVIC, with 200 subsidiaries including 26 listed companies, has taken "great strides" in terms of technical upgrading and innovation over the past decade, increasingly closing the gap with established global aircraft manufacturers, Lin said.

Air travel between China and Japan returning to normal

Air travel demand has started to recover on routes between China and Japan after previously being affected by the territorial dispute between the two countries. "Demand from business class passengers is coming back to the level before [the disputes]," said Shinichiro Ito, President and Chief Executive of All Nippon Airways. "Sooner or later, a full recovery will come, probably next year." However, leisure travel still had not shown signs of recovery as tourists would rather delay their trips until the tension subsided, Ito said. "We forecast that December's passenger volume will swing back to as much as 80% of the level in the same period last year," he said. ANA found passenger volume on the mainland and Hong Kong shrank 26% year-on-year in October, followed by a 25% fall this month. At the peak of the anti-Japanese protests, about 40,000 seat reservations were cancelled on flights operated by ANA between the two countries from September to November. While passenger business was hit, cargo demand between the two countries remains robust. A recovery in demand for Chinese carriers, however, had yet to occur because of their high exposure to leisure passengers, said Davin Wu, Transport Analyst at Crédit Suisse. Chinese carriers cut their seat capacities on Japanese routes by 18% in October. Load factors dropped to 55% from 80% before the tension.

- The Beijing subway's Line 6, which will run from Wuluju in Haidian district in the west of the city to Caofang in Chaoyang district, is scheduled to begin operating by the end of the year after undergoing more than two years' construction. The line will connect 20 stations and be able to accommodate 1,960 people in a single run, more than can be carried in a single trip on any of the city's current subway lines. Line 6 will also be the fastest, capable of reaching a speed of 100 km an hour. It also will run the deepest – at 34 meters – under Dongsi station, where it connects with Line 5.
- The National Development and Reform Commission (NDRC) has approved construction of a CNY31.2 billion project to build seven metro lines totaling 212 kilometers in Urumqi, the capital of Xinjiang, from 2012 to 2019, as well as an

CNY18.2 billion program to build the 26.3 km metro line 2 in Fuzhou, the capital of Fujian province. The NDRC also approved a CNY25.7 billion project to build an 88.5 km track between Fuzhou and Pingtan, and a CNY14.5 billion project for the first phase of a second metro line in Nanchang, the capital of Jiangxi province, plus four power plants totaling CNY10.37 billion.

- Shanghai-based China Eastern Airlines Co wants to enlarge its market share in Beijing through restructuring its subsidiary in the Chinese capital. It has combined its operations in Hebei province with its subsidiary, China United Airlines Co. The new airline, based at Beijing Nanyuan Airport, has a fleet of 23 Boeing aircraft and that will increase to 50 aircraft by 2015.
- The first independently developed diesel locomotives made on the Chinese mainland have been selected by Hong Kong's Mass Transit Railway Corp (MTR) for use in its transit system. China CNR Co announced that it has secured an order worth more than CNY160 million from the MTR for 23 of its CKD0A diesel locomotive made with its proprietary technologies. It can run at 80 kilometers an hour powered by two electric motors and a diesel engine. The contract calls for the first locomotive to be delivered to MTR by March 2014, followed by a 5,000-kilometer test run.
- Cathay Pacific Airways will cut passenger capacity 1.6% next year, the first reduction since 2009, as it contends with slowing international travel demand and introduces smaller planes. The carrier has already pared frequencies on some North American and European routes, Finance Director Martin Murray said. It is also retiring Boeing 747-400s earlier than planned and replacing them with 777-300ERs. The airline lost HKD935 million in the first half.
- In the third quarter alone, tax-free shopping by Chinese citizens surged 58%, data from tourist shopping specialist Global Blue show, and in August they accounted for almost 30% of all global tax-free sales. "As yet, less than 2% of China's population has travelled beyond greater China, so the potential for continuing growth remains vast, even if China's economy does slow in the coming years," Global Blue said. VisitBritain predicts that the amount of money spent by Chinese tourists traveling in Britain each year will jump 157% to GBP618 million by 2020 up from GBP240 million last year.
- Lop Nur in Xinjiang has been linked to the national railway network by a 374.8 km railway. The area holds the mystery of the disappearance of Loulan culture, an ancient Silk Road civilization, in the third century, and was also the site of China's first atomic bomb test in 1964. Prior to the operation of the railway, Lop Nur's only link to the rest of the country was a six-year-old highway. The railway will facilitate mining of the abundant potassium-rich salt in the region to boost the country's ability to meet its own fertilizer demand. Construction of the railway linking Lop Nur with Hami started in 2010 and cost an estimated CNY2.99 billion.
- Shenzhen Airlines, a subsidiary of Air China, has joined the Star Alliance network, taking the number of members in the world's largest airline alliance to 27. It took the carrier 16 months to prepare itself to meet the 87 requirements for joining the alliance. It adds some 400 daily flights to 70 destinations in the alliance's network, including five new destinations.
- Running red lights caused 4,227 accidents and 798 deaths in the first 10 months of 2012, the Ministry of Public Security said. The figures were released on Road Safety Day. As of the end of October, 2012, China had 238 million vehicles and 256 million drivers. Traffic light violations by pedestrians have become so frequent that a new phrase "collectively walking the red light" has been coined to describe the situation where people ignore traffic lights in a group.
- The International Federation of Airline Pilots' Associations, which has 100,000 members, said Hong Kong would eventually need a third runway because of increasing air traffic. Pilots often face 30-minute delays to land at Chek Lap Kok Airport. The Airport Authority estimates the two-runway system will reach its maximum capacity of 420,000 flight movements annually between 2019 and 2022. A three-runway system would be able to accommodate 620,000 flight movements a year.
- After 50 months of work, construction workers finished laying the tracks for a railway between Fuzhou and Nanchang, Jiangxi province. The railway, which is scheduled to open for passenger service in September, will shorten the train ride from 11 to 3½ hours. The train will run at a maximum speed of 200 km/h.

ONE-LINE NEWS

- China may require companies to consolidate the financial statements of businesses they control with stakes of less than 50%, as the nation implements international standards. Under revised rules issued by the Ministry of Finance, an investor would be judged to have de facto control of a company if it can exert influence on its activities or coordinate with other shareholders to control the firm with less than half of the voting rights. The Ministry is seeking public feedback on a draft of the revisions. The new rule is in accordance with IFRS 10, issued by the International Accounting Standards Board in May 2011, which takes effect in January 2013, the Ministry said.
- DHL and the South China Morning Post announced the winners of the 23rd Hong Kong Business Awards. Media Executive Liu Changle was named Business Person of the Year. He is the Chairman and Chief Executive of Phoenix Satellite Television Holdings. The Executive Award was won by Standard Chartered Bank (Hong Kong) Chief Executive Benjamin Hung. The Owner-Operator Award went to Ovolo Group Chief Executive Girish Jhunjhnuwala, while Cheung Kong Infrastructure Holdings won the International Award. The Enterprise Award went to Hong Kong Air Cargo Terminals.
- The World Bank is committed to supporting China’s unprecedented urbanization push, and looks forward to input from China on a major report on urban living, President Jim Yong Kim said after meeting Vice Premier Li Keqiang. Urbanization is also a major part of the “knowledge hub” project that China and the World Bank agreed to work on. Kim said many developing countries could learn from China’s urbanization.
- China has launched a national wood price index in Guangzhou, as part of a program by the National Development and Reform Commission (NDRC) to cover all the country’s key wood commodity and service prices. Officials say 11 more indices are expected, each covering a different sector.

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

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