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AUTOMOTIVE

New warranty regulation considered

For the first time, new car buyers in China could have the right to return a faulty car and ask for a replacement or refund. The protection is part of a new warranty regulation first proposed last September by the General Administration of Quality Supervision. The latest draft of the regulation was released on January 16 to solicit further public opinion following a hearing in October that included representatives of manufacturers and consumers. If the most recent version is adopted, customers will be eligible for replacement of faulty cars in the first two years or 50,000 km of ownership if attempts to repair serious flaws are not successful — a longer period than the previous draft's two-year, 40,000-km standard. It also requires free repairs in the first three years or 60,000 km of ownership. The draft extends the timeframe for car buyers to return a failed vehicle — up from the 30 days in the previous version to 60 days or 3,000 km — if there are serious quality problems such as severe cracking in the car body, non-functioning brakes or steering and oil leaks. Owners are also eligible for a replacement if repair work takes longer than 35 days or if the car is in the shop five times for the same quality problem. The new draft says car sellers are responsible for free repairs, replacement and returns, but they in turn have the right to seek remedy from manufacturers.

Toyota aims to boost Lexus sales by 50%

Toyota's Lexus Division aims to boost sales in China by more than 50% to 88,000 units this year. By the end of the year, it will have 100 authorized dealer outlets in operation, up from the 81 dealerships to date. Lexus sold 56,303 vehicles in China last year — a modest increase of 6% over its 2010 tally of about 53,000 — at the same time China's luxury market soared by nearly 40% to 950,000 units. A major reason for the shortfall was the Japan earthquake that caused production halts at most of the nation's carmakers and components suppliers. Production by Lexus only started to recover in July. By the end of last year, the brand had sold more than 210,000 cars since it arrived in China in 2005. Its import lineup now includes 15 models, four of them gasoline-electric hybrids. Sales by Lexus in China doubled every year from 2005 to 2007, yet the pace slowed in 2008 and 2009 due to increased taxes on cars with large engines. At that time, almost all imported Lexus models had engines larger than 3 liters. Lexus then began to introduce more cars with small engines as well as hybrid models. It regained some momentum in 2010 with delivery of about 53,000 cars, more than 65% of them powered by small engines. Yet the Japanese brand's sales in China still trail far behind its German competitors. Audi sold more than 300,000 cars in the country last year and BMW moved about 232,000. Sales by Mercedes-Benz surpassed 198,000. All three have local joint ventures to produce cars at more competitive prices than imported models. Analysts said that without local production, Lexus is not likely to see significant growth in sales and market share in China. Lexus cars are currently built only in Japan and the U.S., the China Daily reports.

Red Flag and Shanghai cars to be revived

China's two most historic and famous cars, Hongqi (Red Flag) and Shanghai may get a second life as the country wants to use domestic vehicles as official cars. The revival may have repercussions for Audi, which currently supplies the majority of the nation's official vehicles, said analysts. China is the German luxury-car brand's largest market. Recently, the Ministry of Industry and Information Technology (MIIT) included three Shanghai-branded car models in its new vehicle product list. The engine capacity of 1.8 liters indicates the new models of the old brands — which all but disappeared from the market for two decades — will be medium-sized sedans, in line with the requirements for official cars. Chinese newspapers also reported that the country will promote the use of Hongqi sedans — which in 1958 were China's first domestically produced cars — as limousines for officials at the level of Minister and above. FAW's Chairman Xu Jianyi has previously said that FAW will launch several new products under the Hongqi brand this year, with one tailored for official use. The other models will include limousines for ceremonies and parades. In a 2009 plan to restructure and revive the automobile industry, the Chinese government said that domestically made cars should account for more than 50% of official fleets at all levels of government. When then U.S. President Richard Nixon visited China in 1972, the state guest fleet had 20 Hongqi and 100 Shanghai cars. But unlike the Hongqi — which was mainly used by government leaders — Shanghai cars were said to be closer to ordinary people as they were more widely used for common official business and taxi services. After SAIC formed a joint venture with Volkswagen in 1985, the assembly line for Shanghai cars was moved to a new location. Production ceased in 1991. Only about 80,000 Shanghai brand cars had ever been made. SAIC has two other wholly-owned car brands, Roewe and MG. The company announced last year that it will invest CNY22 billion in improving its own brands between 2011 and 2015. They now contribute less than 10% of the group's total sales. SAIC sold more than 4 million vehicles in 2011, up 12% over the previous year. The vast majority of sales and earnings come from its joint ventures with General Motors and Volkswagen. Chinese-brand cars now account for less than one-third of the national market.

China accused of breaking WTO rules by subsidizing car-parts exporters

The Alliance for American Manufacturing (AAM) has accused China of providing illegal subsidies to its car-parts sector that threaten to destroy more than a million U.S. jobs. The

AAM – which groups the U.S. steel industry and the United Steelworkers Union – said alleged trade violations by China have led to the loss of 400,000 jobs in the U.S. vehicle supply chain, and threaten 1.6 million more. AAM Executive Director Scott Paul said three studies present "pretty compelling" evidence of China breaking World Trade Organization (WTO) rules against subsidized exports. "For U.S. makers, the cost of their inputs is greater than what the Chinese producers sell their products for" in some cases, he said. The AAM argued that Chinese car-parts exports increased more than 900% in the decade to 2010 helped by USD27.5 billion in subsidies, many of them illegal, and that the government has committed nearly USD11 billion more in such support over the next decade. "In auto parts, China runs trade deficits with every other major auto producer, including Japan, South Korea, and Germany. In contrast, China's trade surpluses on auto parts with the United States constitutes a notable exception," said Usha Haley of the Economic Policy Institute, who contributed one of the studies. Haley also blamed U.S. carmakers for buying more China-made parts.

Car sales drop due to New Year holiday

China's passenger car sales declined 16.5% in January from a year earlier as auto buyers put off purchases during the Lunar New Year holiday. Carmakers sold a combined 1.17 million passenger cars last month, compared to 1.4 million units sold in the same month a year earlier, according to China Passenger Car Association (CPCA). Production also dropped 24% from the same month in 2011. Sales of sport-utility vehicles (SUVs) dropped 9% and those of multi-purpose vehicles (MPVs) 22%. Deliveries of minivans slumped 24% from a year earlier. General Motors said deliveries to Chinese dealers fell 8% to 246,654 vehicles in January, from 268,071 a year earlier. SAIC, which makes cars in partnership with GM and Volkswagen, said it delivered 380,305 vehicles, down 8.48% from last year. China's overall vehicle sales will probably increase 8% this year, according to the China Association of Automobile Manufacturers (CAAM). Deliveries slowed to 2.5% in 2011 from the 32% rate in 2010, after the government withdrew a two-year package of tax breaks and rebates that saw the country overtake the U.S. CAAM Secretary General Rao Da said that the fact that the Spring Festival fell in January this year will provide a year-on-year sales increase of around 30% in February. Vehicle sales growth in China last year lagged behind the U.S. for the first time in at least 14 years, according to figures from the Chinese industry and U.S. researcher Autodata Corp.

The CAAM predicted that total domestic vehicle sales in 2012 will be about 20 million units, with year-on-year growth of 8%, and exports would be between 1.05 million and 1.1 million units this year, a rise of between 25% and 30% from 2011. Global marketing firm JD Power still expects up to 40% of the world's car sales growth this year to come from China. It said the market share held by emerging countries in light passenger vehicle sales, which jumped from less than 20% in 2005 to 51% last year, would continue to grow to more than 55% by 2015, with China and India topping the list. China's passenger car sector is unlikely to resume the robust growth seen in 2009 and 2010 when tax breaks and government subsidies boosted sales to unprecedented growth of 55% and 33% respectively, according to Marvin Zhu, Analyst with LMC Automotive. Analysts warned that 2012 would be a year of transition for China's car industry, during which sustainability would replace quantity as the focus of development for the future.

With two joint ventures in China, GM sold approximately 2.55 million vehicles in China last year, which accounts for more than a fourth of its global tally. About half of the vehicles sold were minivans. At Volkswagen, Chinese consumers accounted for more than a quarter of its 8.16 million vehicles delivered last year. The Renault-Nissan alliance reported combined sales of over 8 million last year and about 1.27 million cars were sold to the Chinese. Toyota sold just 880,000 vehicles in China on global sales of 7.95 million last year, but plans to boost its sales in China to over 1 million units this year. The fifth-largest automaker, Hyundai-Kia of South Korea, enjoyed strong sales in China with more than 1 million vehicles sold last year.

Shanghai GM to set up new plant in Hubei province

Shanghai General Motors has won approval from the Hubei Environmental Protection Bureau to add a new 300,000-unit car making plant after China tightened its control on foreign investment in the automotive industry. The Chinese government had announced that from the end of January car manufacturing would be excluded from industries in which foreign investment will be encouraged. Companies are required to produce only their own-brand vehicles as well as new-energy vehicles in newly-built factories. Shanghai GM has three production hubs in China with a total designed capacity of around 700,000 units. It sold 1.2

million vehicles in China last year. The carmaker, which is also expanding the capacity at its Shenyang plant in Liaoning province and Yantai plant in Shandong province, aims to boost annual sales to 2 million units by 2015. The venture plays an important role in helping GM to compete with rivals such as Volkswagen and Toyota in China. GM, which sold 2.5 million cars in China last year, has plans to introduce more than 60 new and upgraded models during the 2011 to 2015 period, while doubling sales to 5 million units.

Shanghai license plates ever more expensive

License plate prices in Shanghai rose again this month as the lowest price surged to a record high of CNY55,400, up CNY2,600 from January, auction organizer Shanghai Commodity International Co said. The average price increased CNY2,437 to CNY55,632 in February, the second highest price on record. The all-time high of CNY56,042 was set in December 2007. The plate supply quota was set at 8,000 this month, the same as last month. The number of bidders was 23,391, down from 24,354 in January. The cost of a car plate is more expensive than some cars, including a CNY40,000 Chery QQ subcompact, a Chang'an CX20 and a Geely Free Cruiser sedan. Though vehicle sales slowed last year, car plate prices in Shanghai have remained above CNY50,000 since July. It is now also getting more difficult for local car owners to get a cheaper out-of-town plate. Shanghai is the only city nationwide that issues car plates through a monthly auction. The move was designed to keep the vehicle population from increasing too fast and help ease traffic congestion. On the second-hand market, license plates sell for around CNY55,000.

Blue Bird looking for partner to make school buses

Blue Bird Corp, a leading manufacturer of school buses in the United States, is looking for potential partners in a bid to enter the huge Chinese school bus market, CEO Philip Horlock said. The city government of Huanghuagang in Hebei province has already offered Blue Bird free land and factories if the company decides to invest in the city. Blue Bird, based in Fort Valley, Georgia, has an annual production volume of 30,000 to 40,000 school and activity buses. Some other manufacturers, such as Baoding Chang'an Bus Manufacturing Co and Zhengzhou Yutong Bus Co, have welcomed the potential competitor from the U.S. "It is a good opportunity for bus makers to learn from their ideas and technology," said Tian Xiaoguang, Director of the Marketing Research Department of Baoding Chang'an. A manager at Zhengzhou Yutong warned about the already slim profit margins in the school bus industry. "Currently homemade buses already take 95% of the market in China. The profit margin is already as low as 3% to 5%," Wang Wenbing, Deputy General Manager of Zhengzhou Yutong, said. Sales of school buses have risen since the end of 2011 in the wake of accidents in which school pupils died. Statistics from the China Highway and Transportation Society show that bus makers nationwide sold 1,652 vehicles in January, almost one-fourth of the total sales volume in 2011. China currently has a total of 285,000 school buses, fewer than 10% of which are specifically designed for that purpose, according to She Zhenqing, Deputy Secretary General of the bus branch of the society. She estimated that the total volume of the school bus market in China could reach 1.06 million buses, the China Daily reports.

Geely and GB Auto to manufacture cars in Egypt

Geely Automobile Holdings has formed a partnership with Egypt's GB Auto to make and distribute Geely models in Egypt. The first model, a mid-class sedan Emgrand EC7, may roll off the assembly line at GB's plant in Cairo in the third quarter of this year, with an initial annual capacity of 30,000 units through completely-knocked down production (CKD), Geely said. Geely aims to raise total sales, including in the Chinese market, by 9% to 460,000 vehicles this year. "We hope the export business will grow around 50%," said Geely Spokesman Yang Xueliang. GB Auto, a leading automaker and distributor in Egypt, had 27.7% of the market in 2010. It also has operations in Iraq, Syria and Jordan. Geely has CKD factories in Russia, Indonesia, Malaysia and Ukraine. It is on track to start selling the Emgrand EC7 in the UK in October, Yang added.

Geely and Volvo to work on joint Chinese brand

Zhejiang Geely Holdings Group will soon announce a plan to develop a new Chinese brand with Volvo Car Corp through a 50-50 joint venture. Although Geely acquired Volvo in 2010, Volvo is still considered a foreign car company, Spokesman Yang Xueliang said. "A Sinoforeign car joint venture cannot just produce foreign car brands in China – it must also conduct research and development to produce indigenous brands and new-energy cars. So this is what we are doing now and hopefully we will make an announcement in about two months," Yang said. The first sedan bearing the Geely and Volvo brand names will be launched early next year and will be positioned as a mid-range passenger car. Geely will also launch seven models of sport utility vehicles (SUV) this year. SUV demand remains strong in China despite flagging sales of other car categories. According to China Automotive Monthly, Geely, China's third-largest local manufacturer and seventh-largest if foreign carmakers are included, sold 473,626 cars last year, excluding sales of Volvo-branded vehicles. That represented a year-on-year increase of 6% but was about 10% below the firm's target. Chairman Li Shufu is expected to reveal more on the joint-venture plan when its Hong Kong-listed arm, Geely Automobile Holdings, announces the company's year-end results in late March.

Paper: The automobile sector in China

FIT Express Newsletter announced the availability of a study of the automobile sector in China.

In the framework of the past mission by HRH Prince Philippe, the technology federation Agoria organized a special automotive trip through China. About ten Belgian suppliers and service providers of the automotive sector visited the headquarters of eight Chinese car manufacturers during the trip. The only one in South China was BYD in Shenzhen.

This sector, which is a priority sector for the local authorities, showed an extraordinary growth in the past months. Some multinationals are building very modern plants in the region, which will soon produce a series of new car models. This includes "European" luxury cars (Audi), which will be manufactured in China for exports to the Middle East.

The purpose of the paper by the Consulate General in Guangzhou is to give the Belgian automobile sector – one of the pillars of our national industry – a more complete picture of what is happening in the field in China to offer them as much information as possible to be able to react to the recent trends.

The paper can be downloaded at the website of the Flanders-China Chamber of Commerce at www.flanders-china.be under the category Useful Info > Documents > Study by Consulate-General of Belgium in Guangzhou - Paper "De automobielsector in China" (februari 2012)

Short news

- Morgan Motor, a family-owned British manufacturer of hand-made, vintage-styled luxury cars, appointed its first China car dealers in Beijing and Shanghai. Luxury car sales in China rose 30% last year to almost 600,000, and are projected to continue double-digit growth this year, according to industry consultants LMC Automotive. The boom in luxury sales saw China become the top market for the first time last year at companies including Rolls-Royce, Audi and Lamborghini.
- China's largest carmaker, SAIC Motor – which completed acquisitions from its parent company Shanghai Auto late last year – expects net profit to jump 40% to more than CNY19.21 billion for 2011. SAIC sold more than four million vehicles last year – slightly surpassing its earlier target to achieve a year-on-year growth of 13%. More than half of the sales – or a record 2.55 million vehicles, came from its joint venture with General Motors. SAIC is expected to announce its full-year earnings on April 5.
- Italian luxury carmaker Maserati would recall 222 vehicles in China due to a defective rear light. The company sold more than 780 cars in China last year, nearly twice as many as in 2010, making China its second-largest market in the world after the U.S. Ferrari Maserati Cars International Trading (Shanghai), the only Chinese importer of Maseratis, would notify customers and offer free repairs.
- The number of cars on Beijing's roads surpassed 5 million last year, but its car-plate lottery delayed the milestone for 11 months. There were 173,000 new cars licensed in Beijing last year, 617,000 fewer than in 2010.
- Beijing Automotive Group (BAIC Group) announced it would launch its first own-brand car next month. The compact hatchback with the nameplate "Beijing" was expected last year, but government approval took more time. The company will open

approximately 80 nationwide dealerships for the Beijing vehicles by the end of the year along with a separate sales network of 100 shops for Weiwang minivans that were launched a year ago. Combined sales of Beijing cars and Weiwang minivans are expected to reach 100,000 units this year.

- China Grand Auto, the second-largest domestic car dealer, has been in talks to take over Sanroad, the second-largest auto sales company in Sichuan province for about CNY1.4 billion. China Grand Auto sold more than 410,000 vehicles last year with revenues over CNY63 billion. The dealer operates nearly 400 4S shops across the country. Its parent company is Xinjiang Guanghui Industry Investment Group Co based in Urumqi. The company is backed by U.S. private investment firm TPG, which owns 42%, while Xinjiang Guanghui is the biggest shareholder.
- The top 100 car dealerships in China account for just 21% of market share. A guideline issued by the Ministry of Commerce (MOFCOM) last December called for more consolidation with a target in 2015 to have three to five large dealerships with revenues of over CNY100 billion and 30 regional dealers with revenues of over CNY10 billion. The top-ranked 100 dealers should account for at least 30% of the market share by then.
- Chinese media reports alleged the transmission mechanism of the Chevrolet Cruze emits levels of electromagnetic radiation that could be dangerous, but GM said they were well within safe limits. Shanghai GM said inspections by an affiliate of the Chinese Academy of Sciences (CAS) showed that the 1.6-liter Chevrolet Cruze SL model has a maximum electromagnetic level of 0.1376 microteslas (μT). The safe exposure level is 100 μT, according to China's recommended standards.
- 300 units of Pearl Grey limited edition Smart cars made were sold out within 89 minutes in an online sale by Jingdong. China was the only country where these special edition cars had been sold exclusively through an online retailer. Only 1,200 units were released globally. Since the Smart car entered the Chinese market in April 2009, China has become its third-largest market after Germany and Italy. Sales surged 180% last year to almost 11,000 units.
- Great Wall Motor opened its first European factory in the Bulgarian town of Lovech on February 21. The €100 million plant – controlled by a joint venture in which Great Wall holds a minority stake – plans to manufacture 50,000 Great Wall models – Hover SUVs, Steed pick-ups and Voleex city cars – when it begins mass production in 2013. Great Wall Motor, which listed in Shanghai in September, exported 83,000 vehicles last year to 120 countries and regions including Europe. The euro zone debt crisis is expected to dent demand this year.

METALS

China to set up nonferrous metal bases abroad

China will develop overseas nonferrous metal bases and phase out obsolete industries during its 12th Five Year Plan (2011-2015), the Ministry of Industry and Information Technology (MIIT) said. "In overseas markets, China will encourage capable Chinese enterprises to explore copper, aluminum, zinc, nickel and titanium resources and speed up the process of setting up overseas nonferrous metal supply bases," the Ministry said. Last year CITIC Group signed a strategic cooperation agreement with Bolivia to jointly explore lithium resources in Bolivia's Coupasa salt flats. Copper, aluminum, lead, zinc, nickel, tin, antimony, titanium, mercury and magnesium account for more than 95% of China's nonferrous metal output and more than 85% of the sector's sales revenue. MIIT noted that the electrolytic aluminum industry has faced overcapacity since the 11th Five Year Plan (2005-2010). In 2010, the sector ran at just 70% of maximum capacity.

Zhongwang to export more aluminum products

China Zhongwang Holdings, the world's second-largest manufacturer of aluminum extrusion products by volume, has set a goal of increasing the volume of its exports to the United States five-fold in 2012. The company will sell up to 50,000 tons of aluminum products overseas this year, mainly to the U.S., said Chief Financial Officer Vincent Cheung. The percentage of overseas sales in the company's total sales is expected to grow from 2% in 2011 to more than 10% this year. "We are now discussing with our U.S. clients how to adjust our product types for the U.S. market, which will help us to avoid anti-dumping and anti-subsidies duties on

Chinese aluminum products," said Cheung. In March 2010, the U.S. Department of Commerce started anti-dumping and anti-subsidies investigations into Chinese aluminum products. The department decided to impose anti-dumping tariffs of 33.28% and anti-subsidies tariffs of 374.15% on several types of Chinese aluminum exports to the U.S. in March 2011. The moves have hurt Chinese exports. In 2009, Zhongwang's sales revenue in the U.S. market was CNY5.66 billion, accounting for 40.8% of the company's total revenue. The company's sales revenue dropped to CN3.07 billion in 2010, a year-on-year decline of 29.1%. After adjusting its products and marketing, China Zhongwang realized revenue of CNY6.63 billion by the end of the third quarter last year, an increase of 52% over the same period in 2010. While focusing on the domestic market, the company will also raise exports. Flat-rolled aluminum products will be the new growth area for the company. Commercial production is expected to start in 2014, with an annual production capacity of 1.8 million tons. China, the world's fastest-growing market for flat-rolled products, will consume 14 million tons of the material in 2020, accounting for as much as half of global consumption. Flat-rolled aluminum products are mainly used in the manufacture of automobiles and cans. China depends largely on imports. Aluminum Corp of China is the country's biggest manufacturer of flat-rolled aluminum products, the China Daily reports.

Nonferrous metals index to be launched

China will launch its first composite index of nonferrous metals sometime this year to help companies avoid risks. The index will be calculated using data for output, sales, prices, imports and exports, reported by domestic nonferrous metal production and trading companies, said a source at the China Nonferrous Metals Industry Association. "Because price gaps among different nonferrous metals are huge, it is hard to reflect the overall picture of the industry in one index," said Jia Mingxing, Secretary General of the Association. The exact method of calculation is still being discussed. Separately, the Shanghai Futures Exchange will accelerate the listing of silver this year. In March 2011, lead futures were listed on the exchange. The addition of silver would mean that all four major nonferrous metals would be listed: silver, copper, aluminum and zinc. The Association forecast that average domestic nonferrous metals prices would be lower this year than in 2011, especially in the first quarter and even in the first half. China's electrolytic aluminum companies are facing a severe challenge as the National Development and Reform Commission (NDRC) raised electricity rates twice in 2011, pushing up production costs for these energy-intensive companies. Power costs accounted for about 20% of the total costs of overseas producers, but the proportion was 45% to 50% for domestic companies.

Short news

- Angang Steel Co has estimated a net loss of CNY2.15 billion for 2011, joining other Chinese mills in reporting dismal results. The company, based in Anshan, Liaoning province, attributed the huge loss to high-cost feedstocks and output loss from maintaining its blast furnaces, said a Hong Kong stock exchange filing. Angang reported a net profit of CNY2.05 billion in 2010. Maanshan Iron and Steel Co and Nanjing Iron and Steel Co said their 2011 net profits may fall more than 50%. Shanghai's Baoshan Iron and Steel Co said last month that its unaudited 2011 net profit tumbled 43% to CNY7.3 billion.
- Mining company Xstrata and commodities dealer Glencore agreed to a USD90 billion merger that will create the world's fourth largest natural resources company, with operations in 33 countries. The new company would be the world's third-largest copper producer, fourth-largest nickel producer and the global leader in thermal coal, ferrochrome and integrated zinc production. Xstrata Chief Executive Mick Davis will become CEO of the merged company. He expects the merger to complete in the third quarter of this year. Glencore CEO Ivan Glasenberg will become Deputy CEO and President of the new company to be named Glencore Xstrata International.
- Baoshan Iron and Steel Co plans to raise product prices next month after keeping them basically flat for January and February, on expectation of a pickup in seasonal demand and in response to rising costs. It will raise hot-rolled coil and cold-rolled coil prices by CNY150 a ton for next month.
- Oversupply in China's steel industry would continue this year, said Maanshan Iron and Steel General Manager Su Jiangang. China could not put in place economic stimulus measures similar to those it enacted in 2008, Su added. Maanshan needed to improve its cost efficiency and expand the non-steel businesses, and it was looking at making

wheels for high-speed trains.

- Baosteel Group has mandated Bank of China (BOC) as lead manager and book-runner for a proposed yuan-denominated bond offering. The company sold CNY3.6 billion of yuan-denominated bonds in Hong Kong last November, the largest corporate issuance of a yuan bond in Hong Kong. The proceeds of the latest issue would fund expansion of its resources unit Baosteel Resources (International) which was set up a year ago.
- An explosion rocked a steel plant of Angang Steel Heavy Machinery Co on February 20 in Anshan, Liaoning province, killing at least 13 workers and leaving another 17 injured. The accident happened when a 10-meter-wide mold exploded at a steel-casting workshop when workers were about to finish casting a ring-shaped piece of steel. The temperature inside the mold was more than 1,000 degrees Celsius at the time.
- China plans to develop rare-earth-based new materials during the 2011-2015 period, according to a five-year plan for the new materials industry. It also set goals to lift the output capacity for rare earth permanent magnet materials by 20,000 tons a year and that of rare earth hydrogen-containing alloy powder by 15,000 tons a year. The plan also sets higher output goals for a range of other new materials that contain rare earth metals.

MINERALS

Minmetals seals CAD1.3 billion deal for African copper miner

China's Minmetals Resources (MMR) has succeeded in its CAD1.3 billion bid for Africa-focused copper miner Anvil. Minmetals, a unit of China's biggest metals trader, wanted Anvil for its Kinsevere project in the Democratic Republic of Congo, which is expected to produce 60,000 tons of copper cathode a year. “Anvil is the first step in the expansion of MMR's global footprint,” Andrew Michelmore, Minmetals' Melbourne-based Chief Executive, said. Minmetals has been looking to expand beyond its holdings in Australia and Laos, and last year missed out on a USD6.6 billion bid for Canadian miner Equinox Minerals when it was trumped by Barrick Gold. Both Equinox and Anvil have mines in central Africa's rich copper belt, where several other mines are being developed by firms like China's Jinchuan Group, which recently took over South Africa's Metorex. Michelmore said Minmetals would be interested in other assets in the African copper belt. “We bid for Equinox, now we've got Anvil, so we're interested in that part of the world,” he said. The firm would continue looking for copper, zinc and nickel sulphide assets in Africa, North and South America, parts of Asia and Australia, he said. He added the company would target assets in varying stages from exploration projects to mines near completion. The biggest hurdle to the Anvil takeover was cleared when Minmetals secured an agreement with Congo's state-owned mining body Gecamines confirming that Anvil's title to the Kinsevere and Mutoshi copper and cobalt projects were valid and in good standing. Gecamines had almost scuppered the deal when it said the takeover would trigger a review of the projects' leases. Minmetals acquired 90% of Anvil's shares and would move to take over the remaining shares as allowed under Canadian and Australian rules. Anvil had been up for sale since last August, when its biggest shareholder, commodities trader Trafigura, said it wanted to sell its 39% stake. China accounts for nearly 40% of global copper consumption and demand is expected to rise 6% to 7% this year, the South China Morning Post reports.

Fortescue confident China's iron demand will stay high

Australia's Fortescue Metals has shrugged off worries about a slowdown in Chinese demand for iron ore, vowing to stick with a USD8.4 billion mine expansion plan and forecasting steady prices for the material. Fortescue, which has only been producing ore since 2008, sells 95% of its output to Chinese steel mills, the world's biggest buyers of iron ore, and plans to nearly treble production by mid-2013. BHP Billiton and Rio Tinto are also boosting production, leading analysts to forecast a medium-term glut of iron ore amid signs that China's demand growth for the metal is easing. Spot iron ore prices fell 19% in 2011 as China clamped down on liquidity, denting steel demand for construction, and have been fairly steady this year at about USD140 a ton. Fortescue Chief Executive Nev Power said the firm was counting on China to remain a big buyer in coming years. “Long term, China's growth is forecast to be stable around the 9% mark and we don't see significant new supply to come into the market in the short term, and, therefore, expect the price to remain in that range,” he said. Indian iron ore exports to China were dropping off due to tariffs and growing demand at home, while domestic Chinese iron ore output was expected to fall in favor of higher iron-content imported ores, he said. Fortescue, Australia's third-largest iron ore miner, reported a half-year net profit of USD801 million, more than double a year ago but below analysts' expectations of about USD840 million. Power declined to comment on speculation that a potential predator may be building up a stake in the company after a mystery buyer snapped up at least 2.9% of Fortescue's stock. Andrew Forrest, who founded Fortescue in 2003, is the largest shareholder, with nearly 32% of the firm. Hunan Valin, a Chinese state-owned steelmaker, is second-ranked, with 14.7%, the South China Morning Post reports.

Short news

- Guangxi surpassed neighboring Guangdong to be the country's largest importer of coal in 2011. Local customs said ports in Guangxi recorded throughput of over 27 million tons in 2011, up 61.3% over the previous year and accounting for 15% of the total. Guangxi's coal was mainly imported from Vietnam, Indonesia and Australia last year. The province's imports from Vietnam jumped by 42.8% to 11.7 million tons, which customs officials attributed to the price advantage of Vietnam's coal.
- Angola's government hopes to expand its nearly USD1 billion a year diamond business in partnership with Chinese firms through Angola Diamond Trading (Sodiam), which is 99% owned by Endiama, a state-owned diamond miner. Angola is expected to produce 8.5 million carats worth USD1.15 billion this year. In 2010, Dubai accounted for the largest share of Angolan rough diamond exports by value at 40%, followed by Israel at 34%, and China at 11%.
- China has raised the resource tax on six minerals, including iron and tin ores, in a bid to conserve reserves, but analysts said the hikes won't have a big or long-lasting impact on costs given already high mineral prices. The benchmark tax ranges from CNY2 to CNY30 per ton depending on ore grade. New rates became effective on February 1. The resource tax on top-grade tin ore was lifted to CNY20 per ton, a 20-fold jump and the biggest increase among the six minerals affected. China also raised the tax on molybdenum, magnesium, talc and borax ores.

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