法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 16 JUNE 2014

FCCC ACTIVITIES

Meeting and reception with the Flemish Trade Commissioners in China – 16 June 2014 – 19h00 – Gent

The Flanders-China Chamber of Commerce (FCCC), Voka Chamber of Commerce East Flanders and the Province of East Flanders are organizing a meeting with the Flemish Trade Commissioners in China. This event will take place on Monday 16 June at 19h00 at the Province of East Flanders, Gouvernementstraat 1 in Gent.

This event is an excellent opportunity to discuss your companies' activities in China with the Flemish Trade Commissioners.

The programme is as follows:

18h30	Registration
19h00	Welcome by Mr. Hedwig De Pauw, Director Economic Affairs and International Relations, Province of East-Flanders
19h05	Introduction Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Stefan Derluyn, Director Region Ghent and Port, Manager Innovation & Internationalisation
19h15	"Challenges and opportunities for Flemish companies in China" Mr Peter Christiaen, Flemish Trade Commissioner in Beijing Mrs Sara Deckmyn,Flemish Trade Commissioner in Shanghai Mr Dirk Schamphelaere, Flemish Trade Commissioner in Guangzhou
20h00	Exchange of views and networking cocktail.

A separate invitation has been sent and is available on the FCCC website. Register here.

The participation fee for members of the FCCC is €65. The fee for non-members is €85.

Shanghai Investment Promotion Conference – 24 June 2014 – Kortrijk

A conference on investment opportunities in Shanghai, Shanghai Fengxian European SME Industry Park and Shanghai Jinshan Zhujing Industry Park, is organized by the Flanders-China Chamber of Commerce (FCCC), VOKA West-Flanders, the Shanghai Foreign Investment Development Board, Shanghai Fengxian European SME Industry Park and the Shanghai Jinshan Zhujing Industry Park.

In this conference you will learn about the current investment environment in Shanghai and preferential policies available for SMEs. You will also get a chance to meet with senior level delegates that can give you practical advice on how to do business in China.

The conference will take place on Tuesday 24 June 2014 at 17h30 at Sandton Hotel Broel, Broelkaai 8, Kortrijk.

The programme:

17h00	Registration
17h30	Welcome: Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and by Mr Hans Maertens, Managing Director, VOKA – Chamber of Commerce West-Flanders
17h45	• Presentation on the investment environment and policy in Shanghai by Mr Tao Dong, Vice President, Shanghai Foreign Investment Development Board • Presentation on the Shanghai Fengxian European SME Industry Park by Representative Fengxian

- Presentation on the Shanghai Jinshan Zhujing Industry Park by Representative Jinshan, Zhujing

19h00 Exchange of views and walking dinner

The meeting is organized with the support of Flanders Investment and Trade.

If you are interested in attending this event, please register online before 17 June 2014. Registration is free of charge.

Presentation: Key Findings of Business Climate Survey in China and Update on EU-China Trade & Investment Relations – 25 June 2014 at 10h00 – Brussels

The EU-China Business Association, BUSINESSEUROPE and the European Union Chamber of Commerce in China, are organizing a presentation on the business climate in China and the EU-China trade and investment relations. This meeting will take place on Wednesday 25 June at 10h at BUSINESSEUROPE, Avenue de Cortenbergh, 168 in Brussels.

During this conference the latest findings from the China Business Confidence Survey 2014 will be presented. This survey was realized by the European Union Chamber of Commerce in China and gathers together the views of over 550 European businesses in China. At this meeting, the European Commission will also provide an update on the recent negotiations of the EU-China Investment Agreement.

The EU-China Business Association is the EU-wide federation of business organizations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce holds the secretariate-general of the association.

The programme is as follows:

10h00	Registration
10h30	Welcome by the EU-China Business Association / BUSINESSEUROPE
10h40	Presentation of the China Business Confidence Survey 2014 by Mr Adam Dunnett, Secretary General, European Union Chamber of Commerce in China
11h10	Update on the negotiations of an EU-China Investment Agreement by a Representative of the European Commission
11h30-12h00	Question and answer session

To attend, please register before 20 June via www.flanders-china.be. This event is free of charge for FCCC members.

Weihai-Ghent: Economic Cooperation Seminar – 9 July 2014 – Weihai

The cities of Weihai and Ghent, the Flanders-China Chamber of Commerce (FCCC), Ghent University and Flanders Investment & Trade (FIT) are organizing an economic cooperation seminar in Weihai, Shandong province on 9 July 2014 at 10h. Venue to be announced later.

Programme

9h30	Registration
10h00	Welcome by Mrs. ZHANG Hui, Mayor of Weihai
10h10	Welcome by Mr. TERMONT Daniël, Mayor of Ghent, “Movie: Ghent puts knowledge to work”
10h20	Ghent: research and investment opportunities by Mrs. Els Pandelaere, Investment Promotion Manager, Ghent by Mr. Domien Proost, Representative China Platform: Ghent University and Province of East Flanders
10h50	Weihai: introduction to the investment environment and overview of the main sectors by TBA
11h20	Role of the Flanders-China Chamber of Commerce and opportunities for cooperation by Mrs. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce & Secretary General, EU-China Business Association
11h30	Flanders-Gateway to Europe by Isabelle Wang, Investment Deputy, Flanders Investment & Trade
11h45	Question and answer session and networking lunch

Registration via the FCCC website: www.flanders-china.be

ACTIVITIES

3rd Sino-European Environmental Law Conference – 27-28 June 2014 – Ghent

The Center of Environmental Law and Energy Law of Ghent University (Belgium) and the Research Institute of Environmental Law of Wuhan University (China) will jointly organize the 3rd Sino-European Conference on Environmental Law on the topic of “Environmental Justice”. The Conference will take place in Ghent, Faculty of Law, on 27 and 28 June 2014.

Following link provides information for persons who might be interested in attending this conference: http://www.ugent.be/re/publiekrecht/nl/

Meeting with Chinese delegation: environment and energy – 30 June 2014 – Antwerp

On Monday, June 30, 2014, the Flanders Cleantech Association is receiving a delegation of its Chinese partner CAEPI, together with a delegation of about 10 Chinese environmental and energy companies looking for partners in Flanders.

CAEPI is the Chinese Association of the Environmental Protection Industry, which is guided by the Ministry of Environmental Protection (MEP). During the visit the Flanders-China Chamber of Commerce (FCCC) will introduce the cleantech mission to China in October which the FCCC is organizing together with the Flanders Cleantech Association, Flanders Investment & Trade (FIT) and the Province of East Flanders. More information about the Chinese delegation and the introduction of the projects “CAEPI Delegation” can be requested by sending an e-mail to info@fca.be.

The meeting will take place in the strategically located Portview at the Noorderlaan in Antwerp.

If you wish to participate, please download the registration form at www.flanders-china.be and return it before June 20. Participation is free of charge for FCCC members and limited to companies in the cleantech sector.

In addition to information about the delegation on June 30, you can also request a list of opportunities in the Tianjin region (the prosperous industrialized port region on the coast close to Beijing) via info@fca.be.

The meeting with CAEPI on June 30 and listing of your areas of interest in the registration form are part of the preparations for the cleantech mission to China in October. You will receive more information on June 30, which will also be available on our website www.flanders-china.be

China Europa – 16~18 September 2014 – Shenyang

China Europa, the essential business gathering between Europe and China, is a key event focusing on commercial relations between Europe and China in the field of sustainable urban development, and offers European and Chinese companies and territories a unique opportunity to meet and to develop efficient economic links, in optimal conditions. It guarantees fruitful and constructive encounters with a number of qualified and targeted contractors and suppliers. It is also an opportunity to identify new development opportunities in Europe and in China and to benefit from exchanged expertise and good practice via a programme of conferences and themed workshops. The leading Chinese and European economic authorities consider China Europa to be the leading event in Sino-European business relations and exchange in the field of sustainable urban development. By providing extensive support towards the business convention's organization, these bodies assert their will to reinforce productive cooperation that will contribute towards shaping tomorrow's sustainable towns and cities.

More information on the event is available at: http://www.china-europa.org/rendez-vous-incontournable-business-europe-chine-china-europa-2014-en.asp

EUCBA European Business Delegation “Yangtze River Delta” – 20-27 September 2014

The Yangtze River Delta is regarded as China's economic powerhouse with Shanghai being China's financial and logistics center, and the provinces Zhejiang and Jiangsu important manufacturing bases.

As EUCBA member of Germany, DCW is organizing an EUCBA European Business Delegation to China: “Exploring the Yangtze River Delta”, 20-27 September 2014 to Shanghai, Taicang, Kunshan, Changzhou, Jiaxing and Suzhou.

During the week-long meetings will be organized with high-ranking local government representatives, who will give an introduction to the investment environment of their cities and to their special services for foreign investors.

There will also be opportunities to visit economic development zones and industrial parks, meet European investors in the region and learn from their experiences in China. Furthermore, visits will be organized to international organizations and associations, where you will receive advice for your China plans.

The tour will be complemented by a sightseeing program, which will provide a better cultural understanding of the traditional and modern China. The delegation will be accompanied by Mr. Rainer Gehnen, Vice General Secretary of EUCBA.

You may download the flyer or visit www.eucba.org/visits2china for more information.

Contact: Mrs. Chen Xie-Thalmann | chen.xie-thalmann@dcw-gmbh.de | +49 221 1397701.

NOTICE

Sponsorship opportunities

The Flanders-China Chamber of Commerce (FCCC) offers several sponsorship opportunities to give companies more exposure to potential new clients and collaboration. Opportunities are available in our weekly newsletters, quarterly Chinese newsletters, our new website, our conferences and meetings with Chinese delegations.

If you are interested in obtaining more information about the sponsorship opportunities, you can download the detailed information at the following link : www.flanders-china.be/sponsorship_opportunities_2014.doc

PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

See FCCC Members' Portraits on the FCCC website.

FINANCE

No blanket ban on taking audit papers out of the country

Chinese Ministry of Finance officials have assured the Hong Kong Institute of Certified Public Accountants (HKICPA) that they have no intention of closing China's door to overseas accountants, including those from Hong Kong, and that proposed new rules are only aimed at tightening regulation of overseas accountants regarding illegal cross-border audit activities carried out by foreign auditors on Chinese-based companies. While the new rules would require overseas accountants to strictly follow China's state secrets regulations, that did not mean there would be a blanket ban on taking all audit papers out of the country, with the restriction only applying to audit papers deemed to contain state secrets. “This clarifies the situation on when and how the auditors would be allowed to take their audit papers out of the country,” a source said. A Hong Kong court ruled last month in favor of the Securities and Futures Commission (SFC) in a legal battle with accounting firm EY, saying EY could not use state secrets as a blanket excuse for not handing audit papers to the city regulator for investigation. A Spokeswoman for Hong Kong’s Financial Services and the Treasury Bureau said government officials had relayed the concerns of local accountants to Chinese Ministry of Finance officials and the two sides had agreed to continue talks aimed at clarifying the details of the new audit rules.

CCB appointed yuan clearing bank in London

China Construction Bank (CCB) was appointed as the sole yuan clearing bank in London, beating three other state lenders – Bank of China (BOC), Industrial and Commercial Bank of China (ICBC) and Agricultural Bank of China (ABC). The move surprised some bankers as Bank of China had been thought the most likely candidate to win the lucrative clearing business since it was the only Chinese lender with a branch in the city. ABC was also hopeful since it had been cooperating with Standard Chartered to provide yuan clearing services in Britain since last year. London is the largest foreign exchange trading center for the yuan apart from Hong Kong. Two-thirds of yuan trading conducted outside the mainland and Hong Kong are now through London, with spot trading volumes of the currency averaging USD2.5 billion a day, according to data from the City of London in October last year.

- Twelve-month non-deliverable yuan forwards, which traders use to speculate or hedge, strengthened 0.9% against the U.S. dollar last week, their biggest advance since January 2012. The rally follows five months of declines that investors attributed to an effort by the People's Bank of China (PBOC) to weaken the yuan and fend off speculators who were anticipating a continuation of a five-year rally. Just as traders got used to a declining yuan in recent months, the currency changed direction again after the government reported China's trade surplus almost doubled and the central bank set the reference exchange rate at the strongest level since March.
- China's fiscal revenue continued to grow in May amid a stable economy, rising 7.2% year-on-year to CNY1.37 trillion, the Ministry of Finance said. Central government revenue hit CNY749.4 billion last month, up 4.5% year-on-year, while that of local governments totaled CNY617.6 billion, up 10.7% from a year ago. In the first five months, China's fiscal revenue climbed 8.8% year-on-year to CNY6.12 trillion. Fiscal spending jumped 24.6% year-on-year in May to CNY1.3 trillion. The surge in growth was in sharp contrast to the 9.6% rise in the first four months. Central government spending rose 15.8% in May, while local government expenditure soared 26.9%.
- Bank of China (Hong Kong) has described cuts to its payout ratio as a "tough" decision made in response to more stringent capital requirements under the Basel III framework. Chief Executive He Guangbei told the annual general meeting in Hong Kong that it was now aiming for a payout ratio – the proportion of earnings paid out as dividends to shareholders – of between 40% and 60%, compared with the 60% to 70% achieved in previous years.
- Banks in China lent surprisingly more in May from a year ago and the country's money supply accelerated. New yuan-denominated loans totaled CNY870.8 billion last month, up CNY201.4 billion from May last year but nearly CNY100 billion below April's, the People's Bank of China (PBOC) said in a statement. M2 rose 13.4% from May last year, the fastest pace recorded this year. The broadest measure of credit supply totaled CNY1.4 trillion in May, up CNY217.4 billion year-on-year.
- Credit ratings will be introduced to bond issuance by local governments under a pilot scheme to enhance the prevention of risks, according to the Ministry of Finance. The ratings will be in nine levels – AAA, AA, A, BBB, BB, B, CCC, CC and C. The ratings were introduced after four more local governments – Beijing, Jiangxi, Ningxia and Qingdao – were allowed to issue bonds directly last month, bringing the total to 10.
- The China Securities Regulatory Commission (CSRC) said it is planning unified regulatory rules for the asset management sector to raise understanding of various financial products and also create a fair competition environment. The regulator will also revise the provisional regulation on currency funds later this year. Currency funds have developed rapidly in China since the second half of 2013, and reached a scale of CNY1.9 trillion.
- The yuan rose 0.63% last week to close at 6.2107 per U.S. dollar in Shanghai, the steepest advance since December 2011. It has reached a two-month high of 6.2018. The yuan has dropped 2.5% this year.

FOREIGN INVESTMENT

Schindler meets rising demand with Shanghai escalator plant

Switzerland's Schindler Group, the world largest escalator manufacturer, recently opened its largest plant in the world in Shanghai to meet China's growing demand for escalators. The nation's urbanization and infrastructure development has provided great opportunities for the elevator and escalator industry, the company said. China is now the world's largest manufacturing center for elevators and escalators, with more than 65% of global production. The establishment of the Jiading plant in Shanghai is an important milestone in the history of Schindler Group, said Alfred N. Schindler, Chairman of the Board of Directors, who traveled to China for the inauguration ceremony. The 300,000-square-meter facility will house an elevator factory, an R&D center with a test tower, and its new China regional headquarters. This year marks the 140th anniversary of Schindler and the 34th year of its business in China. Schindler has installed its equipment at high-rise landmarks including the China World Trade Center Tower III in Beijing, North Bund White Magnolia Plaza in Shanghai, and China Ping An International Financial Center in Shenzhen, which will be China's tallest building after construction is completed.

Small aircraft makers invest in China

With 100 years of aviation heritage, Piaggio Aero Industries has never manufactured planes outside Italy, but is now talking to Chinese state companies to set up a joint venture in China, according to Giuliano Felten, the company's Chief Commercial Officer. For smaller plane makers from Cessna to Embraer, the business jet market in Greater China offers the prospect of sustained growth. Piaggio Aero shares family roots with Milan-listed scooter maker Piaggio, home of the Vespa, but is now 98%-owned by Abu Dhabi investor Mubadala Development. Piero Ferrari, son of car racing legend Enzo, owns the remainder. Deliveries of small planes could top 2,400 over the next 20 years, worth more than USD65 billion and eight times the current fleet, according to Canadian aircraft maker Bombardier. Drawing aircraft makers to China fits with Beijing's plans to make the country a major manufacturing base for aircraft production, from small aircraft to fully fledged commercial planes that can compete with Airbus and Boeing. Foreign aircraft makers are required to team up with a local partner to make jets in China.

- The Supreme People's Court invited foreign diplomats for the first time to attend a case involving foreign interests in a show of openness of China's judicial system. Representatives from Pakistan and the Republic of Korea, a scholar from Germany and dozens of law students and media representatives attended the court hearing. At the hearing, Thumb Environmental, a company in Fujian province, disputed a capital contribution issue with Sino-Environment Technology Group, its parent company based in Singapore. Nils Pelzes, a Max Planck Institute Research Fellow who attended the hearing, said the openness will help to improve the investment environment for foreign companies.

FOREIGN TRADE

Shanghai pilot FTZ to steer growth of free trade zones

Ongoing experiments at the pilot free trade zone (FTZ) in Shanghai will determine whether China will extend the FTZ experiment to other regions. “Many Chinese cities have proposed free trade zones, but whether or not they will get the nod depends on the findings from the Shanghai project. The FTZ in Shanghai is an experiment, we need to see and assess its test results,” said Fan Hengshan, Vice General Secretary of the National Development and Reform Commission (NDRC). At least 28 local governments have reportedly submitted proposals or plans for similar zones, after the Shanghai FTZ got the central government nod in September. “The Shanghai FTZ can only play a limited role in spurring economic development. Personally, I think more FTZs should be considered and built in an orderly way to rebalance the economy in different regions,” Wei Houkai, Researcher at the Chinese Academy of Social Sciences (CASS) said. A detailed plan for the coordinated development of Beijing, Tianjin and Hebei province is also in the making. The NDRC is also working on plans for an economic belt along the Yangtze river, which will involve 11 regions. Development across regions is becoming more coordinated, and regional gaps are narrowing, the China Daily reports.

- Canadian enthusiasm for China has fallen sharply, and Beijing's economic clout is increasingly viewed as a threat rather than an opportunity, according to a study by the Asia Pacific Foundation of Canada (APF). China is Canada's second-largest trading partner. Canadians are less convinced today than a decade ago of the potential economic benefits for Canada of building closer ties with Asian countries. The think tank added that this trend is particularly true in the case of China. Only 35% of respondents rated China as being of high importance to Canada's prosperity, down sharply from 45% last year.
- The Dutch dairy sector is looking to double its turnover in exports to China in the near future, Cees 't Hart, CEO of Friesland Campina said. The Dutch cooperative has a yearly export volume of USD1 billion to the Chinese market, which is only 5% of Friesland Campina's global export volume. ’t Hart said the company will prioritize exports of UHT milk and cheese, which have a long shelf life, and which he believes have huge market potential in China. Friesland Campina has been holding talks with Shenyang-based China Huishan Dairy Holdings on creating a joint venture to produce, market and sell infant formula. New Zealand remains the largest exporter of dairy products to China.
- The Chinese government has approved making Erenhot in Inner Mongolia a key national experimental zone for development and opening-up. About 13 million metric tons of goods passed through the city's railway and road ports in 2013, according to customs in Erenhot, making the city the biggest land port and the only railway port on the China-Mongolia border. Trade at these ports reached USD3.65 billion last year. Erenhot will become the second city in Inner Mongolia designated as a key national experimental zone for development   the first was Manzhouli, in the region's northeast, near the Sino-Russian border.

HEALTH

Blood donations in China still insufficient

China reported only 9.4 blood donations per 1,000 people last year, below the World Health Organization's minimum ratio for a country's clinical use. According to the National Health and Family Planning Commission, Hong Kong and Macao recorded 30 and 23 donations per 1,000 people respectively in 2013, while the figure in developed countries usually reaches 40. Still, the number of blood donors in China rose 256-fold last year to 12.78 million from only 50,000 in 1998. China's government aims to raise the ratio to 10 donations per 1,000 people by the end of 2015. Achieving that target requires an annual increase of at least 2.5% in blood donors, but the number only edged up 1.75% from 2012 to 2013. The Commission said the central government will allocate CNY2.25 billion for new blood centers in underdeveloped regions by 2015.

IPR PROTECTION

IPRs not to be used to protect monopolies

A new regulation to ban the abuse of intellectual property rights (IPRs) is being considered. Under the regulation, proprietors would be forbidden from using intellectual property rights to reach agreements for market monopoly purposes, including fixing or changing product prices and limiting production or sales levels. The regulation is widely considered a detailed interpretation of a clause in the Anti-Monopoly Law, which states that the law will apply to IPR abuse.

- Fast Retailing China, the Chinese branch of the owner of clothing brand Uniqlo, was accused of using two Guangzhou companies' registered trademark UL on its down coats last year without authorization. The two plaintiffs asked the company to stop production and sale of the clothes and demanded a combined CNY150,000 in compensation. Beijing's Haidian district court has accepted the case.
- The fifth China International Copyright Expo will be held in Chengdu in September. It will be the first time the event will be held outside Beijing. The local government said the move showed its copyright protection efforts were being recognized by the national copyright administration.
- Companies and organizations in Guangdong province filed 7,669 patent applications related to new-energy cars between 2009 and 2013. Guangdong accounted for 14.5% of the nation's total and was ranked top in the country, according to a report by the provincial IP authority and South China University of Technology. More than half of the applications focused on lithium battery technologies. BYD Co in Shenzhen was the top patent filer in the province with 626 applications.
- Beijing Fantasy Zongheng Network Technology has been ordered by the Shanghai No 2 Intermediate People's Court to pay CNY3 million compensation for copyright infringement of a popular online novel. The company was sued by Shanghai Xuanting Entertainment Information Technology which operates the qidian.com literature website. Xuanting had signed copyright agreements in January 2010 with Wang Zhong, the novel's writer.
- A nationwide crackdown on news-story copyright infringement on the internet was launched last week. The National Copyright Administration announced the start of the 10th Jianwang Operation, an annual campaign against online piracy initiated in 2005. Websites and media platforms that post unauthorized news links and reproductions are the major targets this year.

MACRO-ECONOMY

Prices rise, but still below control target

China's consumer prices hit a four-month high in May, but analysts say the inflationary outlook remains mild, leaving room for more policy easing. The Consumer Price Index (CPI) expanded 2.5% from a year earlier last month, up from April's 1.8% increase, the National Bureau of Statistics (NBS) said. A low comparative base and higher food costs were cited as the main reasons for the rise. The low comparison basis last year contributed 1.6 percentage points, while food prices jumped 4.1%, bolstered by a 20% surge in the price of fresh fruit and vegetables year-on-year. In the first five months, China's consumer prices increased 2.3%, below the government target of controlling it at under 3.5% for this year. Meanwhile, the Producer Price Index (PPI) contracted 1.4% in May, narrowing from the decrease of 2% a month earlier and remaining negative for the 27th consecutive month. “It indicated that industrial demand stayed weak in general although we saw some improvements in a few sectors recently,” said Liu Ligang, Chief Economist for China at Australia & New Zealand

Banking Group. “In general, China’s inflationary outlook remains mild amid the economic slowdown, and we thus revise our CPI inflation forecast for 2014 to 2.8% from 3.2% previously,” Liu said. In May, China’s imports fell unexpectedly by 1.6% from the gain of 0.8% a month earlier, indicating still weak domestic demand. China unveiled mini stimulus measures in the past two months to bolster growth while keeping reforms on track, including tax breaks and accelerating spending on railway construction, the Shanghai Daily reports.

Investment approval catalog to be revised by year-end

The revision of the key investment approval catalog which specifies what kind of investment projects require government approval will be completed by the end of this year instead of in 2015 as originally planned, according to Li Pumin, Secretary General of the National Development and Reform Commission (NDRC). The current investment approval catalog was released last December, covering 13 sectors. The catalog changed the status of 10 items that previously required approval to ones that merely require notification, delegated 20 items to lower authorities and transferred 10 to other regulators. The NDRC plans to submit a proposal to further revise the list to the central government by September. Kuang Xianming, Director of the Research Center for Economy at the China Institute for Reform and Development, said the government doesn't make a clear distinction between “approval” and “notification”, which has hindered many investments. Although the NDRC has said that more than 80% of investments only require notification, many enterprises find the real approval process to be quite different. Kuang said the best alternative is to replace both approval and notification with a “negative list”, which means that enterprises may invest in any field that is not on the list. The requirement for notification could be maintained but only as a formality after projects have started, the China Daily reports.

- An optimal combination of policy tools will be used in macro-economic control, and China will focus more on targeted adjustment instead of big stimulus measures to achieve the annual growth target of about 7.5%, Premier Li Keqiang said. “China’s economy, after the high-speed expansion of three decades, still has the conditions and the ability to leap over the middle-income trap and keep the economy moving at an intermediate and high speed for a longer period of time,” he said at the biennial conference of the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE).
- The bursting of China's property bubble would wipe 1% off China's economic growth and cause serious problems for the nation's banks, ratings agency Fitch said. “Property is our biggest macro concern in China. There is such an overhang of supply that if the market were to collapse it would affect the economy and in turn banks,” Jonathan Cornish, Fitch's head of north Asia banks, said at the agency's global banking conference in Hong Kong. He also said the banks' continued use of off-balance-sheet wealth management products and their tendency to continuously roll over non-performing loans without classifying them as such posed risks.
- A Xiamen labor panel has ruled against a foreign company in a dispute over a workers' strike. The workers had walked out of the plant in Xiamen, Fujian province, earlier this year to oppose plans to relocate the factory. Kewei Tongchuang, backed by Singapore investment and managed by Americans, had accused the 34 employees on strike of violating company regulations by not showing up for work. The company issued an ultimatum, saying they should be back to work by February 28 or they would be fired. The panel ruled that the workers had reasonable cause not to show up for work and ordered the firm to compensate the workers. The company will take the case to court. A labor expert said court rulings or arbitration decisions not in favor of companies were “very infrequent”.
- The World Bank cut its forecast for economic growth in China this year to 7.6% from its projection in January of 7.7%.
- China’s economy improved mildly in May. Retail sales rose 12.5% from a year earlier to CNY2.12 trillion last month. Industrial production increased 8.8%, but fixed-asset investment (FAI) growth slowed to 17.2% in the first five months. China’s gross domestic product (GDP) in the first quarter grew 7.4%, the slowest in six quarters and below the government goal.

MERGERS & ACQUISITIONS

WH Group acquires stake in Campofrio Food Group

China's largest pork producer WH Group and Mexico's leading food producer Sigma Alimentos have acquired a 98.3% stake in leading Spanish packaged meat company Campofrio Food Group. Sigma will own 61.3% of the company, with WH Group holding 37%. Campofrio manufactures and sells its products in eight European countries and the U.S. Last year, Campofrio reported sales of € 1.9 billion. The deal gives WH a stronger position in overseas pork production, which will be important as demand for meat in China continues to grow.

PETROCHEMICALS

China could become net exporter of refined oil products

China exported a net 410,000 tons of refined products in May, equivalent to about 96,548 barrels per day, according to customs data. While this is a small amount by itself, it is the second month this year that China has been a net exporter of refined oil, something that had only happened three times before this year, the last time being as far back as January 2010. In the first five months of this year, China was a net importer of 1.47 million tons of refined fuels, equivalent to about 71,000 barrels per day (BPD), down 73.8% from last year. As net fuel imports have been slowing for some time, China could become a net exporter. China now has close to 13 million BPD of refining capacity available following the commissioning this year of two new plants with a combined capacity of 440,000 barrels. Given that implied demand was 9.71 million BPD in April, there is massive spare capacity in the refining sector. Net diesel exports stood at 76,676 BPD in the January-April period, just higher than the 75,151 barrels exported last year. China has been a steady exporter of petrol in recent years, but so far this year it has reduced shipments, with a net 109,152 BPD being exported, compared with 114,983 barrels over the first four months of last year.

CNOOC boosts oil output off southern coast

CNOOC, China's biggest offshore energy explorer, is expanding oil production in waters off its southern coast to reach a target missed since 2011. CNOOC was developing new projects based on findings near the island of Weizhou, 80 nautical miles east of the border with Vietnam, said Liao Hongyue, Director of the Weizhou Island Terminal. It was also enhancing current projects, he said. The Weizhou rigs produce 45,700 barrels of oil equivalent (BOE) a day, about 4% of the Beijing-based company's global output. CNOOC produced 412 million BOE in 2013, including 61 million barrels that came from Canadian unit Nexen. Weizhou is CNOOC's biggest oil producer in the western part of the South China Sea, one of four major oil- and gas-producing areas off the shores of China. The company started a new project in the Weizhou area last year, increasing the number of operational oilfields to four. Last month, CNOOC's state-owned parent China National Offshore Oil Corp placed an oil rig near the disputed Xisha Islands off the coast of Vietnam, leading to confrontations between Vietnamese and Chinese boats. The move set off violent anti-China protests in Vietnam and prompted China to evacuate thousands of its citizens. While the Weizhou projects bordered Vietnam, they were well within China's territory and had never caused any sovereignty disputes in the past, Liao said. CNOOC's Zhanjiang unit, which runs the Weizhou projects, plans to increase oil and gas output in the western part of the South China Sea to 260,000 BOE a day by 2015, and 350,000 barrels by 2020. Production at Weizhou accounts for 4% of CNOOC's global total and 60% of crude produced out of the western South China Sea. CNOOC has four oil- and gas-producing areas in China, including the Bohai Bay, East China Sea, eastern South China Sea and western South China Sea. The western South China Sea area shares its maritime border with Vietnam, the South China Morning Post reports.

- Demand for natural gas may nearly double within five years in China, meeting half with domestic supplies, the International Energy Agency (IEA) said, as authorities take measures to cut pollution. “Driven by booming demand, the ‘Golden Age’ of natural gas that is now firmly established in North America will expand to China over the next five years,” said the IEA. “The power, industrial and transport sectors will drive overall Chinese gas demand to 315 billion cubic meters in 2019, an increase of 90% over the forecast period. Chinese production is set to grow by 65%, from 117 billion cubic meters (BCM) in 2013 to 193 BCM in 2019,” said the IEA.
- China is hoarding crude at the fastest pace in at least a decade, shielding itself from supply disruptions and helping keep prices above USD100 a barrel. The country imported a record volume in April to create a strategic petroleum reserve. The purchases are helping to drive oil prices higher, according to analysts at Barclays, Citigroup and Nomura. The website of China's Center for Oil Reserves has a short description of the office, a branch of the National Energy Administration, but no information about the level of the reserves.
- Istvan Kapitany, Executive Vice President of Shell Retail, said the company would continue to invest in China. Shell opened almost one service station per day in China in 2012 as demand grew. At present, the company operates about 1,100 service stations in the country. By the end of 2013, Sinopec owned more than 30,500 gas stations in the country, accounting for about 33% of the total market, and PetroChina had more than 20,000. The two take up more than half of the country's gas retail businesses.

REAL ESTATE

Vacancy rate rises further above 20%

More than 20% of homes owned by urban households in China remained empty in 2013. The overall vacancy rate for residential properties in urban areas across the country gained 1.8 percentage points from 2011 to 22.4% last year, translating into around 48.98 million homes being vacant during the period, according to a joint report by the China Household Finance Survey and the Research Center of Southwestern University of Finance and Economics. About 87% of urban households in China own their homes, higher than the UK's 20.3%, the U.S.' 21.8% and Germany's 33.7%. In rural areas, 95.8% of families own their homes. The report also pointed out that 18.6% of the country's urban households owned more than one property last year, and the figure rose to 21% in the first quarter of this year. The vacancy rate for government-funded affordable homes, built for low- to medium-income families, was 23.3%, indicating a waste of government resources, the report said. China has no official definition of the vacancy rate for homes, but it releases the number of homes that are vacant for more than six months.

Developers expect lower profits in first half

Lower home sales and weak property prices will dent the net profits of listed Chinese developers for the first six months of the year, analysts said. Of the 23 real estate companies listed on Chinese stock markets that have released their mid-year performance preview, only nine companies anticipate growth in net profit. Two companies are set to post flat returns, while 12 companies expect a slump in profit or even losses. This is in stark contrast with a year ago, when nearly half of the listed developers reported a mid-year profit increase on the back of a soaring property market. Among the large property developers, only Poly Real Estate Group Co expects double-digit year-on-year net profit growth of 10.8%. China Vanke Co, the nation's largest developer, reported a positive net profit in the first quarter, but the number was still down 5.23% compared with a year earlier. The "golden era" for China's property market has passed, Yu Liang, President of China Vanke Co, said last month, adding that Vanke will take a cautiously optimistic approach to face the slowdown and target those buyers who need homes for self-use. Global ratings agency Moody's Investors Service revised its credit outlook for Chinese developers to negative from stable last month. Moody's said in its report that small realty companies with less access to credit are more vulnerable to risks, the China Daily reports. Though home purchase restrictions are expected to be eased in more Chinese provinces, it will have a limited impact on propping up the sagging real estate sector, industry experts said.

- In the first quarter of 2014, institutional investors' offshore property investments rose 25% year-on-year to USD2.1 billion, while the sum going to residential property grew by 80%, according to Jones Lang LaSalle. The overseas residential property investment by China's institutional investors in the quarter exceeded USD1.1 billion, smashing last year's record of USD600 million. Around 150,000 Chinese emigrate overseas annually, which is expected to generate a purchase demand for properties worth more than CNY75 billion, said Li Qingwen, General Manager of DTZ Real Estate Consultancy Co Guangzhou.
- New home sales in China fell at a faster pace in the first five months of this year in both value and volume. The value fell 10.2% from the same period a year earlier to CNY1.97 trillion. Transaction volume dropped 9.2% from a year ago to 319.5 million square meters. Capital invested in housing development rose 14.6% year-on-year to CNY2.1 trillion.
- London-based Cai-Capital, formed in October last year, says it is the first broker in the British capital to accept bitcoins for payment on property purchases. It is targeting investors from China, who can skirt Beijing's foreign exchange restrictions by using bitcoins.

SCIENCE & TECHNOLOGY

CAS and CAE amend nomination procedures

The Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE) have redrafted their charters to cut administrative interference in their operations. The amended charters, which also aim to rectify a tendency to chase profits, have been ratified during the biennial conference of China's top two think tanks. Nominating rights are now limited to incumbent members and academic groups. The move is intended to ensure the selection of nominees is based purely on academic grounds. Selection of new members now requires a vote by the whole academy, rather than just one of its divisions in order to test a candidate's recognition among a wider academic circle. The CAS has 743 members, while the CAE has 802.

STOCK MARKETS

Wave of resignations expected among independent Directors

China's listed companies are preparing for an unprecedented wave of resignations by independent directors following a Communist Party directive on officials' additional functions besides their official jobs. So far more than 200 listed companies have reported resignations, some of whom are ex-government officials, others university professors and administrators. As part of an anti-corruption campaign, the Party's Organization Department issued a circular in October banning incumbents and college personnel from assuming posts outside their office. Only those retired from their government role for more than three years are allowed to take up jobs at companies with relevant authorities' approval. When public companies convene board meetings, one of the issues they will have to resolve is the resignation of board members whose directorships violate the circular. Officials at the Organization Department said recently that tens of thousands of government officials have relinquished their external posts, including more than 200 provincial and ministerial officials. Disclosures from China's listed firms' 2012 financial reports showed over 640 independent Directors were ex-officials.

The Party's circular said that no ex-officials should be paid for their work at companies. Since the early 2000s, public companies have been inclined to reserve board seats for government officials and scholars in exchange for their political and social influence rather than inviting qualified and competent professionals. "Some of these official-turned independent directors don't even attend board meeting and don't vote on major decisions the company makes," Liu Jipeng, Director of Capital Research Center at China University of Political Science and Law said. Those who do exercise their right of supervision often encounter problems. Zheng Lixin and Xu Zhuangcheng, independent Directors at Tianmushan Pharmaceutical questioned the validity of the company's financials and voted against the restructuring, but this led to a motion by the firm's largest shareholder to remove them from the board. Liu said much of Chinese public companies' misconduct can be attributed to corporate governance. The People's Daily said that resignations by ex-officials-turned Directors has provided the government with a good opportunity to withdraw from the marketplace, the Shanghai Daily reports.

- The People's Bank of China (PBOC) has signaled it will relax control on Qualified Domestic Institutional Investor (QDII) and Qualified Foreign Institutional Investor (QFII) schemes as it is determined to quicken the yuan's convertibility under the capital account. The central bank will further expand the group of institutional investors under the QDII and QFII schemes and increase their investment quotas. Currently, 229 institutions are included in the QFII program with a combined investment quota of USD150 billion. Under the QDII scheme, more than 100 domestic institutions are qualified, with a combined quota of USD76.79 billion.

TRAVEL

New trans-Pacific flights launched

Air China has launched its first direct flight linking Beijing and Washington. The 13-hour, four times a week service became Air China's sixth direct route to the U.S. "Opening such a route shows the huge business demand between China and the U.S.," said Zhou Shijia, Senior Researcher at the Center for U.S.-China Relations at Tsinghua University. United Airlines already operates daily flights between the two capitals. Last week, United Airlines also operated its first flight from San Francisco to Chengdu, and American Airlines launched a new Shanghai-Dallas service. Hainan Airlines will offer Boston as its third U.S. destination starting on June 20, and by the end of this summer, China Southern Airlines will launch Guangzhou-New York services. The expansion of services will mean stiffer competition, but airlines are still confident in the capacity of the market to fill those seats. High profits on China-U.S. flights are prompting airlines to invest in the market, experts said. "The China-U.S. route is the most profitable route in the world," said Li Xiaojin, Professor at the China Aviation University in Tianjin. The profit of one trans-Pacific route is almost equal to three domestic routes, he said. Air China has code-sharing arrangements with United Airlines, while China Southern Airlines works with Delta Air Lines. Hainan Airlines isn't part of any alliance yet, but it has partnerships with Alaska Airlines, JetBlue Airways Corp and American Airlines. To expand its network in North America, Hainan Airlines will order more Boeing B787 aircraft in the next several years, said Wang Yingming, Executive Chairman and Executive President. The fourth-largest carrier in China is already using all of its eight B787 aircraft on its three routes to North America. U.S.-based airlines have about 35% of the market, and Chinese airlines have 25%, Li said. The remainder is held by carriers from other countries, such as Japan and South Korea.

- A new bullet train service from Shanghai to Chengdu will begin on July 1, reducing the traveling time by 5 hours to 15 hours and 18 minutes. Ticket prices have yet to be announced. Also from next month a bullet train service will link Shanghai and Chongqing, shortening the journey to 13 hours and 18 minutes.

- Chinese tourists remain the biggest spenders on trips abroad, according to a report by Global Blue, which only took into account transactions the company handled. Their average spending in the first quarter increased 25% year-on-year to €846 per person, compared with the global average of €502. The report also showed that Chinese outbound tourism spending accounts for 27% of the total global consumption, followed by Russia, Indonesia, the United States and Japan. Global Blue is a shopping tax refund and currency exchange company based in Nyon, Switzerland, which handled more than 26 million tax rebates in 2013.
- China Southern Airlines has set up its Shanghai branch to tap a thriving local market and the expansion of Pudong International Airport. The airline will initially operate three aircraft before it increases the fleet to around 10, said Tan Wangeng, General Manager of the Guangzhou-based airline. Five cargo aircraft will also be based in Shanghai. The setup of the Shanghai branch company allows the carrier to have its own fleet, personnel and maintenance team based at the city's Hongqiao and Pudong international airports.
- Chongqing plans to build 100 take-off and landing points for helicopters, according to a recent plan released by Chongqing Development and Reform Commission. The network for general aviation, consisting of one general aviation industrial park, 10 airports and 100 take-off and landing points, will be completed in five to 10 years. The municipality currently has seven airports for general aviation flights.

VIP VISITS

Italian PM Matteo Renzi seeks Chinese investment

Italy's Prime Minister Matteo Renzi visited Beijing, hoping to attract more investment. He met with China's President Xi Jinping, Premier Li Keqiang and National People's Congress Chairman Zhang Dejiang on his first trip to China since becoming Italy's Prime Minister in February. Ten agreements were signed, including a deal for Shanghai Electric to buy a 40% stake in Italian power engineering company Ansaldo Energia. "Many people think efficiency in Italy is not so good and China has grown very fast, so we need to study China," Renzi said. Renzi's visit to Beijing came one day after he delivered a speech at the Shanghai Italian Center in which he touted the upcoming Expo Milano 2015 as an opportunity to boost Sino-Italian economic cooperation. "We both believe we can't return to Marco Polo's time, but we hope that between China and Italy, there will be more Marco Polo-style people making China-Italy relations the forefront of relations between China and Europe," Chinese Premier Li Keqiang said.

- Premier Li Keqiang will visit Britain and Greece this week and is expected to have an audience with Queen Elizabeth II. In Greece he will discuss with Prime Minister Antonis Samaras privatization plans for the port of Piraeus and Athens International Airport, two leading projects in which Chinese investors have shown a keen interest.

ONE-LINE NEWS

- Hong Kong generally fared worse than mainland China in the latest global fraud survey of EY. One key reason was the Chinese government's anti-corruption crackdown over the past year, said Chris Fordham, EY's Managing Partner of fraud investigation and dispute services in the Asia-Pacific. Gift giving and entertainment had dropped sharply in China, Fordham said.
- The Chinese government announced plans for creating 10 infant formula producers by next year with at least CNY2 billion in annual revenue and three to five by 2018 with revenue of CNY5 billion. The administrative approval process for mergers and acquisitions in the sector will be simplified and government support strengthened. Domestic brands have lost market share to suppliers from New Zealand, Australia, Europe and elsewhere.
- Chengdu is the most liveable city in China, followed by Guangzhou and Ningbo, according to the Asian Development Bank (ADB). Beijing ranked 18th, while Shanghai came in at 22nd. Lanzhou languished at the bottom of the study of 33 cities, together with Harbin. The ADB used a measure called the Environmental Liveability Index, whose factors include water and air quality and solid waste and environmental management, with the latest data from 2011.
- Su Rong, one of the 23 Vice Chairpersons of the Chinese People's Political Consultative Conference (CPPCC), is being probed for suspected grave violation of discipline and the law, according to a statement on the website of the Central Commission for Discipline Inspection (CCDI). The anti-graft watchdog gave no further details about the investigation. He is the highest ranking official among all investigated

for corruption since the Chinese Communist Party elected its new leadership in November 2012. A total of 27 ministerial level officials have been probed since then.

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