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

# NEWSLETTER | 6

OCTOBER 2014

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## ADVERTISEMENT OPPORTUNITIES

### Interested to promote your services/products to potential Chinese or Belgian clients?

We would like to offer you the opportunity to promote your services/ products to potential Chinese and/or Belgian clients. We can promote these in many different ways via advertisement on our website, newsletters and events.

Below you can find the different possibilities:

- FCCC Weekly. This newsletter is published in English and contains economic & trade information on China, a calendar with China-events and career opportunities. It is sent every Monday to 2,700 Belgian business leaders doing business with China and to relevant institutions, embassies, federal and regional authorities as well as the Belgian and Chinese press. It is also sent to Chinese officials and companies based in Belgium.
- News from Flanders: Europe's Smart Hub. This is a quarterly newsletter published in Chinese and English. It contains articles on Flanders' business news, education and tourism. It is sent to over 2,000 Chinese and Belgian companies, Chinese national and local authorities, Chinese companies based in Belgium, Chinese press in Belgium. It is also sent to all FCCC member companies and Belgian and regional institutions.
- The FCCC website, contains publications, newsletters, activities, and a broad range of interviews with Chinese and Flemish companies sharing their experiences.

If you'd like to advertise on our website, newsletters and events, please check out our advertising opportunities and send your interest to [gwenn.sonck@flanders-china.be](mailto:gwenn.sonck@flanders-china.be) Please be informed that the advertisement opportunities are limited.

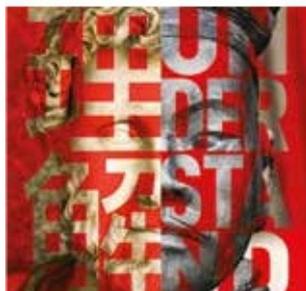
## ADVERTISEMENT

An Executive MBA by IMD & CKGSB

GUESS WHAT?  
THE BEST WAY TO LEARN  
ABOUT DOING BUSINESS  
WITH THE CHINESE IS TO  
LEARN FROM THE CHINESE.

All over the world, people are beginning to do business with China. All over China, people have been doing it for centuries. So, who better to help prepare you for China's increasing influence on the global marketplace? While the Chinese economy continues to grow, gaining expert knowledge from the other side of the business fence can give you an unquestionable advantage in leading the way between China and the world.

CKGSB: Cheung Kong Graduate School of Business and IMD business school can help you develop your understanding of China with a fully global perspective. CKGSB is recognized as China's world-class business school with an alumni base that accounts for 13.7% of China's GDP. Our world-class faculty represents many of the best minds from the U.S. and Europe's top business schools. IMD is a top-ranked business school. 100% focused on executive education, IMD offers Swiss excellence with a global perspective. Together these two leading business schools have devised the Executive MBA program.



The Executive MBA by IMD & CKGSB is designed in two stages – the foundation stage and the mastery stage. The program will allow you to master Eastern and Western business concepts and practices whilst gaining all-important international connections. The program will also strengthen leadership, strategy and general management skills.

Made up of equal numbers of participants from both Eastern and Western businesses, the program will include 11 weeks of face-to-face learning. The program is scheduled to take place from February 2015 until September 2016 with a unique split of 50/50 program delivery across Eastern and Western locations. Delivered by two world-class business schools, the IMD-CKGSB Executive MBA is the ideal answer for fast-rising executives who want to create value for their organizations by spanning both East and West. You'll go beyond the basics to a true understanding of the forces that will be shaping the world of business in the future.

For admission details or further information visit [imd.ckgsb.info](http://imd.ckgsb.info)

## FCCC ACTIVITIES

### China SME Session: 'Negotiating with the Chinese' – 8 October 2014 – Gent

The Flanders-China Chamber of Commerce (FCCC) is organizing a seminar focusing on 'Negotiating with the Chinese: Three 'Make or Break' differences'. This event will take place at 16h00 on Wednesday 8 October 2014 at the International Club of Flanders, Sint-Pietersplein 11, 9000 Gent.

To a Westerner, the word 'negotiation' retains its Latin meaning of 'coming to an agreement'. To a Chinese person, 'negotiation' is represented by the two characters of 'discussion' and 'judgement'. During this session you will learn why the approach to 'negotiation' has been historically so very different and what you need to know to negotiate more effectively with your Chinese counterparts.

The programme is as follows:

- 16h00 Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
- 16h10 'Negotiating with the Chinese: Three 'Make or Break' differences'  
Mr Neil Selby, Director of Education Cheung Kong Graduate School of Business (CHGSB) Europe: former International Director of Oxford University  
Mr Oliver Shiell, Chief Representative of CKGSB Europe, Board Member of China Britain Business Council, former Director of Oxford University
- 17h10 Exchange of views
- 17h30 Networking reception

During this conference you will receive the publication "FCCC Members' Portraits in China". The booklet includes 17 portraits of member companies active in China. The China-based managers of those companies talk about how their firms became active in the country and the difficulties and pitfalls they faced to on their way to success in the largest and most challenging market on earth.

The next sessions will deal with: Managing Risk in China and 10 ways to better understand your Chinese partners. These events are organized with the support of Flanders Investment & Trade. If you are interested to attend this event, please [register online](#) before 3 October 2014.

### China Information Session: Current Immigration and social security landscape and recent corporate tax developments in Belgium – Wednesday 15 October 2014 – 15h to 17h – Deloitte, Diegem

The Flanders-China Chamber of Commerce, the Chinese Association of Entrepreneurs in Belgium and Deloitte, are organizing a China information session focused on the current immigration and social security landscape and the recent corporate tax developments in Belgium.

This information will be divided into two parts:

Part one: Current immigration and social security landscape and how this will evolve. Deloitte and Laga specialists will bring their views and results of the European comparative immigration study which was executed in 2014 and will elaborate on the Single Permit Directive, the EU Blue Card, the Intra Corporate Transfer Directive and the regionalization

of the Belgian immigration rules. Furthermore, the social security treatment of seconded and locally hired employees will be discussed whereby the eventual conclusion of a social security treaty between Belgium and China will be debated.

Speakers:  
Erwin Vandervelde, Deloitte  
Filip Van Overmeiren, Laga

Part two: Recent corporate tax developments in Belgium – unknitting of the Gordian knot. The Belgian corporate tax landscape has very much evolved over the past year(s). Inspired by budgetary constraints while aiming to boost the Belgian economy, many new and sometimes complex measures have been implemented and existing ones have been revisited to ensure proper implementation by taxpayers. During this roundtable, an illuminating overview will be given of most relevant changes in tax law, court rulings, circular letters and parliamentary questions affecting your day-to-day business.

Speaker: Coen Ysebaert, Deloitte

Who should attend?

Representatives of Chinese companies in Belgium and representatives of Belgian companies with Chinese employees in Belgium or Belgian employees in China.

This event is organized with the support of Flanders Investment & Trade. If you are interested to attend this event, please [register online](#) before 3 October 2014. Members FCCC: €45. Non-Members FCCC €75.

## Mission for Growth to Chengdu – 21-23 October 2014

Following the successful Mission for Green Growth to China of Vice-President Antonio Tajani and Commissioner Potočnik on 18-19 July 2013, Director-General of Enterprise and Industry DG Daniel Calleja will lead a technical Mission for Growth to Chengdu from 21 to 23 October 2014.

The purpose of this visit is to confirm the strong political relationship between the EU and China and to strengthen their co-operation in strategic fields.

Director-General Mr. Daniel Calleja Crespo will be accompanied by a delegation of representatives of business associations and entrepreneurs to discuss with Chinese politicians and entrepreneurs how to foster European industrial cooperation. As for their previous missions, this visit will also have the objectives to:

1. promote sustainable and inclusive growth in the EU and China;
2. help European companies and in particular our SMEs to operate internationally by exploiting business opportunities in China;
3. promote EU-China industry in the targeted sectors by participating in matchmaking events with local entrepreneurs.

The following sectors of the business delegation have been identified according to the specific interests of European and Chinese industries:

- Environmental protection
- Renewable Energy
- Bio-pharmacy and bio-technology
- Modern Agriculture (incl. organic agriculture, food quality and security, R&D on agricultural science and technology)
- Aviation
- ICT

The intention at the Mission is to meet with high level political representatives, key industry leaders, and local entrepreneurs.

During this mission, the Flanders-China Chamber of Commerce will be represented by Mrs Gwenn Sonck, Executive Director. If you have a particular proposal in which the FCCC can be of support to you, please send an e-mail with your request to: [gwenn.sonck@flanders-china.be](mailto:gwenn.sonck@flanders-china.be).

The Mission will take place in conjunction with the **IX EU-China Business and Technology Cooperation Fair**. This event has been held for eight editions attracting 3255

Chinese companies and 1572 European companies. More than 10.000 bilateral meetings took place with one third of successful matches.

The IX fair is expected to gather 800 to 1000 representatives of SMEs, clusters, business associations, R&D institutions and government bodies.

For registration and practical information, click here:

[http://ec.europa.eu/enterprise/initiatives/mission-growth/missions-for-growth/daniel-calleja/asia/china/registration-form\\_en.htm](http://ec.europa.eu/enterprise/initiatives/mission-growth/missions-for-growth/daniel-calleja/asia/china/registration-form_en.htm)

## ACTIVITIES

### China's innovation policies and economic reforms in the manufacturing and financial sector – 16 October 2014 – EY Diegem

EY and the Vrije Universiteit Brussels, in cooperation with the Flanders-China Chamber of Commerce (FCCC), are organizing a unique breakfast seminar where highly placed Chinese policy makers and advisers will discuss the current outlook, mediating factors and prospects of the Chinese economy. These experts have been closely involved in China's economic decision making and advised its leadership on various reforms.

The breakfast session will take place in the EY Diegem offices (De Kleetlaan 2, 1831 Diegem – parking facilities available) on 16 October 2014, starting at 8:20 am.

- 07:45 Registration
- 08:20 Introduction
- 08:25 China's innovation policies and economic reforms in the manufacturing sector  
Mr. Wang Haifeng, National Development and Reform Commission, and  
Mr. Wang Jinzhao, Development and Research Commission of the State Council  
Moderated by Mr. Jonathan Holslag, Professor of International Politics at the  
Vrije Universiteit Brussels
- 09:10 China's financial sector  
Mr. Fang Jin, Development and Research Commission of the State Council, and  
Mr. Zha Xiaogang, Shanghai Institutes for International Studies  
Moderated by Mr. Jan Grauls, EY
- 09:55 Closing remarks
- 10:00 End of seminar

Contact Marianne Bodart ([marianne.bodart@be.ey.com](mailto:marianne.bodart@be.ey.com)) should you have any questions on this event. [Click here to register.](#)

### CFO Focus – The real message behind your Chinese reports: a hands-on approach – 22 October 2014 – Drogen

Moore Stephens, with the support of the Flanders-China Chamber of Commerce (FCCC) is organizing a workshop focusing on the peculiarities of financial reports coming from China. This event is tailored to CFO's, controllers, senior accountants and investors who work with the Chinese market.

This session promises to be hands-on and interactive. Andries Verschelden, Partner, and Scott Krivokopich, Director from our Shanghai office, will show you how to interpret various reporting items, assess their impact, and mitigate their risk.

The workshop will be in case study format, with time to answer your specific questions.

Date: Wednesday October the 22nd

Venue: Moore Stephens, S.M.A.K. Lounge, Deinssesteenweg 114, 9031 Drogen

Program  
17h00: Welcome  
17h30: Workshop session  
19h00: Networking reception

[Register now](#)

## PAST EVENTS

### Seminar: Corporate compliance in China: why is your management in China not sleeping so well anymore at night? – 24 September 2014 – Gent

The Flanders-China Chamber of Commerce and the Province of East-Flanders have organized the interesting seminar: Corporate compliance in China: why is your management in China not sleeping so well anymore at night? on 24 September 2014 in Gent.

Philippe Snel, lawyer and chief representative of De Wolf & Partners Shanghai Office, who has been advising foreign companies in China for over 10 years, shared his insights on the current concerns of foreign investors in China, in particular with regard to corporate legal compliance.

Corporate compliance has indeed become the main topic of concern for foreign businesses in China in recent months. More and more companies (including a few Belgian companies) are confronted with compliance issues and some are finding out “the hard way” what the consequences of compliance breaches can be. At the same time, it still remains quite challenging to maintain and monitor corporate compliance programs in China.

This event was organized with the support of Flanders Investment & Trade.

## PUBLICATIONS

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

See [FCCC Members' Portraits](#) on the FCCC website.

## MEMBERS' NEWS

### Deloitte: Inbound Investment into China: BEPS Perspective

On 16 September 2014, OECD released the first 7 deliverables on BEPS. Some of these deliverables will have significant impacts on cross border structures and arrangements currently used by multinational companies. What are the important considerations for MNCs when doing business in China from a BEPS perspective? We'll discuss:

- Key highlights of 3 deliverables that may have immediate impacts on MNCs doing business in China, specifically Action 6 (Prevent Treaty Abuse), Action 8 (Intangibles), and Action 13 (Re-examine Transfer Pricing Documentation).
- Impacts of these 7 deliverables on China and the SAT's (State Administration of Taxation) view.

Get updated on the latest developments on the OECD's BEPS project with specific insights on the implications from a China perspective.

## EXPAT CORNER

### 100 foreigners get Friendship Award

One hundred foreign experts from 25 countries received China's Friendship Award, the nation's highest honor for achievement by a foreigner at the Great Hall of the People in Beijing on September 29. They were recognized nationally as driving forces in economic and social development. “China will provide a broad stage for visionary people of the world to bring their talent into full play,” Vice Premier Ma Kai said. He added that China will improve its laws and regulations regarding foreign experts and more carefully protect their intellectual property rights. Since 1991 when the awards were first given, 1,399 foreign experts have been honored. In most recent years, 50 foreign experts have been selected for awards, but that number is increased to 100 in years that mark significant anniversaries of the founding of the People's Republic of China. This year marks the 65<sup>th</sup> anniversary. To be eligible for the award, one must be a foreign expert who has made prominent contributions to China, such as helping the country solve key problems, enabling domestic enterprises to achieve breakthroughs in development or other outstanding accomplishments in teaching, academic studies and overseas publicity.

Premier Li Keqiang's has promised to streamline the procedure for foreigners to get a permanent residence permit. He made the promise when meeting the 100 foreigners who received this year's Friendship Award. The government has decided to reduce the time needed for foreign experts to get a green card in the country. Since China started to issue green cards in 2003, it has granted about 5,000 to foreign applicants, or 500 annually, while the United States issues about 1 million a year, according to Wang Huiyao, President of the Center for China and Globalization, a think tank in Beijing.

Separately, Shanghai Mayor Yang Xiong presented the Honorary Citizen of Shanghai and Shanghai Magnolia Gold Award to 11 foreigners in recognition of their outstanding contributions to the city's social and economic development. The recipients, from Ukraine, the United States, Belgium, Canada, Germany, Spain, South Korea and Turkey, received their awards at a ceremony in City Hall.

- At a gathering of 1,800 expat professionals and their families at the Great Hall of the People in Beijing, Liu Yunshan, Member of the Standing Committee of Chinese Communist Party (CCP), extended "heartfelt thanks and cordial greetings to all foreign experts and international friends who have cared for, supported and contributed to China's reform and development". The reception is held every five years.

## FINANCE

### Yuan payments triple in two years

Payments worldwide using the Chinese currency, the renminbi, nearly tripled in value in the two years ending in August, Belgium-based global payment services company SWIFT said. The renminbi is now supported by a much broader base, with 35% more financial institutions using the renminbi for payments with the Chinese mainland and Hong Kong, SWIFT's latest renminbi Tracker showed. Currently, more than one-third of financial institutions around the world use the renminbi for payments to the Chinese mainland and Hong Kong. Asia leads the way at nearly 40% adoption, with an increase of 22% since 2012. The Americas follow at 32% adoption with an increase of 44%, SWIFT said. Europe falls closely behind the Americas at 31% adoption with an increase of 47%, and the Middle East and Africa are at 26% adoption, with an increase of 83% during the same two-year period. In August 2014, the value of renminbi global payments decreased by 6%, while all currencies dropped by 10%. The trend is most likely attributable to lower seasonal payments activity, according to SWIFT. The SWIFT renminbi Tracker, launched in September 2011, provides monthly reporting on key statistics to understand the progress made by the renminbi toward becoming an international currency, the China Daily reports.

### Two more private banks approved

The China Banking Regulatory Commission (CBRC) approved the setting up of two more private banks: Zhejiang MYbank and Shanghai Huarui Banking Co. Zhejiang Ant Small & Micro Financial Services Group, an Alibaba affiliate that contains the company's Alipay payment-processing and financial services arm, has received approval to set up a bank in which it would hold a 30% stake. Shanghai Juneyao Group, the parent of Juneyao Airlines, also received regulatory approval to set up its own bank and will also own a 30% stake. The banks should take six months to set up and would also have to apply to start operations, the regulator said. They are the second batch of private companies approved to set up banks. Fosun Industrial Technology Development Co, a unit of Shanghai-based privately-owned Fosun Group, will hold 25%, and China's largest auto parts supplier, Wanxiang Group, will own 18% in MYbank. It will focus on serving grassroots consumers and online vendors, leveraging its data mining and cloud computing capabilities. Yu Shengfa, Vice President of the group, said the bank's major business will be offering small loans of under CNY5 million and allowing customers to deposit no more than CNY200,000 in their accounts. Shanghai Huarui Banking Co will have one major shareholder besides Shanghai Juneyao Group: casual wear maker Metersbonwe Group, owning 15%.

### Direct yuan-euro trading starts

China began direct trading between its currency and the euro on September 30. The China Foreign Exchange Trade System already offers a platform for yuan-euro transactions but

direct trading means the U.S. dollar will no longer be used as an intermediary currency to calculate rates. In June, China started direct trade between the yuan and the pound and has long had direct currency trade with the United States, and in recent years has added the yen, the Australian dollar, the New Zealand dollar and Malaysian ringgit. China is seeking greater use of the yuan, also known as the renminbi (RMB), in line with its status as the world's second-largest economy and to challenge the U.S. dollar, analysts say. "Direct trading is a significant step in the RMB's globalization," said Ryan Song, Director of Markets for China at HSBC, which is acting as a market maker for the new currency pair. "The trade and investment ties between China and the European Union, as two of the world's major economies, can be further strengthened through the greater convenience of direct trading in this pair," he said in an HSBC statement.

## Rules on local government debt strengthened

The central government published rules to strengthen the supervision and management of local government debt. Auditing results indicate that risks from government debts are generally controllable, but there are some risks and problems related to borrowing, management and fund use that need to be addressed. Debt directly incurred by local governments was CNY10.88 trillion at the end of June 2013. The debt guaranteed by local governments at various levels amounted to CNY2.66 trillion, and debt governments might have some liability for stood at CNY4.34 trillion. Local governments will be allowed to borrow within a quota set by the central government. It has taken key steps toward increasing the responsibility of individual regional and local governments for their own borrowing and investment decisions. The new guidelines represent an important move toward establishing a new direct-borrowing model for local governments, Moody's said. The guidelines will restrict indirect borrowing, such as borrowing through local government financing vehicles, known as LGFVs, thereby leading to a deceleration of local government debt, which has been climbing sharply in recent years.

- Chinese banks face a "major risk" from rising non-performing loans (NPLs) in the second half of the year as the economy slows, PricewaterhouseCoopers (PwC) said. NPLs at the country's top 10 listed banks stood at CNY520 billion as of June 30, up CNY71 billion from December 31, 2013. That was almost as much as the rise for all of last year, which was CNY73 billion, according to PwC. The overall NPL ratio rose by 7 basis points to 1.06% during the first half.
- At least four Russian banks will issue up to CNY2.5 billion in dim sum bonds in Hong Kong by early next year, as Western sanctions against Russia accelerate a switch by the country's lenders from U.S. dollars to Chinese and Russian currencies. RosinterBank, the first mid-sized Russian lender to issue dim sum bonds, hopes to make a private placement worth CNY500 million by early November.
- Hong Kong's offshore yuan pool risks drying up as offshore paper trades at its widest discount in more than two years, prompting Chinese importers to avoid coming to Hong Kong to settle their cross-border trades. The offshore yuan had been trading at a premium to its onshore counterpart most of the time since the beginning of cross-border trade settlement in 2009. The price advantage has been a key driver in turning Hong Kong into the world's largest offshore yuan center, with CNY1.2 trillion in deposits.
- Luxembourg is rapidly growing as a channel for Chinese financing and investments flowing into the European Union. China's direct trading of its currency with the euro, which began on September 30, will boost Luxembourg's role as a renminbi hub, said Nicolas Mackel, Chief Executive of Luxembourg for Finance, the agency responsible for promoting Luxembourg as a financial center. Renminbi loan portfolios in Luxembourg rose to CNY72.8 billion in the first half, 35% more than the CNY53.8 billion in the second half of last year and more than double the CNY29.3 billion in the second half of 2012.

## FOREIGN TRADE

### Crackdown on fraudulent trading stepped up

China is stepping up its crackdown on fraudulent trading activities that circumvent capital controls and create channels for hot money inflows and illegal cross-border capital flows.

The State Administration of Foreign Exchange (SAFE) has so far unearthed fraudulent trade transactions worth USD10 billion since it started investigations in April. Some of the cases involved imports and exports at Qingdao Port, which is already at the center of a commodity financing scandal and under investigation by the authorities, said Wu Ruilin, Deputy Director of the Inspection Department at SAFE. "We have found that a large number of companies have faked, forged and illegally re-used trade documents for speculative purposes," Wu said at a news conference in Beijing. "Fake trades not only increase the pressure of hot money inflows but also provide illegal channels for cross-border capital flows," he said, adding that the illegal activities have seriously disrupted trade data and the overall judgment of the country's economy. Meanwhile, banks have failed to fulfill the responsibility of verifying the authenticity of the deals, which helped increase the fraudulent activities, Wu said. The regulator has uncovered 967 illegal foreign exchange transactions from January to August and levied administrative fines of CNY180 million, the China Daily reports.

## Import-boosting policies announced

China rolled out a package of import-boosting policies to try to achieve its foreign trade target. One of the key steps is to readjust the list of government-encouraged imports, aiming to bring more advanced technologies and key equipment parts into China. As a supportive policy, the government will allow companies to provide leasing of imported equipment for buyers at home. The new policies are "not only to boost imports", Premier Li Keqiang said, but also to improve China's economic structure and narrow a rising trade surplus. Other trade-boosting policies include preferential tax policies, which will be given to imported equipment for science, research and development to encourage industrial upgrading of companies. In addition, companies can book customs clearance on holidays and customs will be open around the clock to facilitate the flow of goods. The government will import more products such as beef, lamb and seafood, and an e-commerce platform will be set up to encourage companies to build overseas networks. He Jingtong, Professor at the Institute of Economics of Nankai University in Tianjin, said the government has been trying to shift from importing natural resources, capital and consumer goods to introducing advanced technology to local enterprises such as robots, precision machines and dual purpose products, as part of efforts to balance import and export volume and upgrade China's trade structure. China's trade target for the year was a 7.5% increase in total trade value of imports and exports. For the first eight months, China's exports gained 3.8% to USD1.48 trillion, while imports edged up a mere 0.6% to USD1.28 trillion. The monthly trade surplus in August jumped 77.8% year-on-year and hit a record high, the China Daily reports.

- Shanghai's pilot free trade zone (FTZ) court launched a bilingual website ([www.ftz-court.gov.cn](http://www.ftz-court.gov.cn)), providing English speakers access to court news, trial studies, a litigation guide and other related information. The court has heard 335 cases since it was established on November 5 last year. The majority – 80% – were commercial cases concerning investment and trade.
- The Shanghai free trade zone's import and export volume in the first seven months of this year reached CNY436.6 billion, accounting for 27% of that in Shanghai. According to Shanghai customs, the average time for customs clearance inside the FTZ is 39% shorter than outside the zone, cutting clearance costs for enterprises by 10%.
- China's international balance of payments showed a surplus in the first half of the year, with the surplus under the current account at USD80.5 billion, the State Administration of Foreign Exchange (SAFE) said. During the period, the capital and financial accounts also had a surplus of USD77.8 billion, SAFE said. The goods trade surplus was USD149.3 billion while the service trade had a deficit of USD62.5 billion and current transfers had a USD11.8 billion gap. Meanwhile, the net inflow of direct investment was USD93 billion and that for securities investment stood at USD36.9 billion, in contrast to an outflow of USD51.7 billion.
- South Korean exports to China grew in September for the first time in six months, reversing four straight months of declines and marking the fastest rise since an 8.3% gain in December last year. The PMI of South Korea's manufacturing activity fell to a seasonally-adjusted 48.8 in September from 50.3 in August while a sub-index on new export orders dipped to 48.8 from 49.4.
- The European Union said it would examine whether to reimpose duties as high as

39.2% on imports from China of seamless pipes and tubes, which are used in the construction, energy and engineering industries. In 2009, seeking to protect European producers including ArcelorMittal and Vallourec, the EU imposed the levies to punish Chinese exporters such as Hengyang Valin Steel Tube for allegedly having sold the pipes and tubes in Europe below cost.

## HEALTH

### Public hospitals ordered to halt expansion

The National Health and Family Planning Commission (NHFPC) has ordered public hospitals to halt their rapid expansion. "Some hospitals pursue a big number of beds, compete to purchase hi-tech medical equipment and overlook hospitals' internal management issues. The expansion has led to an irrational increase in medical expenses," the Commission said. Chen Shaoxian, Public Health Professor at Guangzhou's Sun Yat-sen University, said the motivation behind expansion was survival in the marketplace because more beds and cutting-edge medical devices meant they could attract more patients. On average only 10% of public hospitals' budgets come from government agencies, health experts say. "We also want to receive fewer patients, but we are worried that fewer patients will lead to less income," Jiang Jie, President of the First Hospital of Xiamen told Xinhua. Dr Zhang Lufa, of Jiao Tong University's School of International and Public Affairs, said after opening more wards and upgrading facilities, public hospitals tended to be more "profit-driven" and would charge higher fees in order to pay their debts incurred during expansion.

- China HealthCare Holdings plans to acquire the operating rights of an unspecified Chinese hospital for HKD2.38 billion as it explores the opportunities created by Beijing's decision to reform the health sector. The central government has been looking to bring in overseas investors as part of a sweeping overhaul of the health care system to make it more affordable and accessible.

## MACRO-ECONOMY

### Manufacturing sector remains weak with PMI of 50.2

China's manufacturing sector remained weak in September. The HSBC Purchasing Managers' Index (PMI) stood at 50.2 last month, unchanged from August's three-month low and down from an earlier flash PMI reading of 50.5. The September data signaled only a fractional improvement in the health of the sector. The component indexes showed that production and new orders were both down, while employment and prices remained at relatively low levels. The only bright spot was in new export orders, which saw their highest reading in more than four years. Many economists had been surprised by an earlier flash PMI reading which indicated faster growth in the manufacturing sector, but few were convinced it indicated a rebound. China's economy showed signs of recovery in the first half of this year with gross domestic product (GDP) expanding 7.5% in the second quarter, picking up from the pace of 7.4% in the first three months. But major activity indicators, including industrial production, fixed-asset investment (FAI) and retail sales, all showed weakness in both July and August. The official PMI reached 51.1 last month, still in expansion but no improvement on August's reading. New orders fell by 0.3 points from August to 52.2, while input prices eased 1.9 points to 47.7. External demand remained resilient, with new export orders rising by 0.2 points to 50.2, and production up 0.4 points to 53.6.

China's services sector grew at its slowest pace in eight months in September after new orders shrank for the first time since the 2008 global financial crisis. The official non-manufacturing PMI edged down to 54 from 54.4 in August, the National Bureau of Statistics (NBS) said. In a sign that China's cooling property market remained a key drag on the economy, the PMI showed the real estate sector shrank in September, alongside other industries such as logistics and aviation. Lackluster activity in the housing sector weighed on overall new orders, which fell to 49.5, a level not seen since December 2008 and down from 50 in August.

- The profits of Chinese industrial businesses reached CNY482.56 billion in August, down 0.6% year-on-year, according to the National Bureau of Statistics (NBS). The profit growth slowed sharply compared with the 13.5% growth in July. The slow-

down was due to rising costs and slower investment returns, which grew only 3.2% year-on-year in August.

- China's leaders have called for enhanced efforts to develop the country's ethnic regions by mixing policy incentives and utilizing the regions' natural strengths. In a statement issued after a two-day central work conference on ethnic affairs, they said differentiated regional policies should be applied to China's border areas, impoverished regions and ecological preservation areas to assist in development. Infrastructure development in ethnic regions should focus on road construction and access to clean water.

## REAL ESTATE

### Relaxation of house lending rules announced

China announced a cut in mortgage rates and minimum down payment levels for some home buyers. The relaxation of lending rules, for the first time since the 2008 global financial crisis, was accompanied by measures to increase financing for cash-strapped developers, who may have problems paying debts if the property downturn persists, as many economists expect. China's central bank announced the relaxation after banks in some cities had already adjusted policies to grant more home buyers lower interest rates. Buyers who own a home and had paid off their mortgage will be considered first-home buyers and enjoy discounted mortgage rates of as much as 30% off the benchmark lending rate, the People's Bank of China (PBOC) said. Previously, they had to pay 10% or more above the benchmark. In cities where there is no limit on the number of homes people can buy, banks can lend to buyers already owning a number of homes if they have cleared previous mortgages. They were previously not eligible to get mortgages from banks. This will be applied in 42 of 46 cities where local governments have canceled home purchase limits applied in 2011 to control home price surges. Only Shanghai, Beijing, Guangzhou, and Shenzhen are still banning residents from buying a home if they already own two or more homes. In terms of down payments, all first-home buyers can pay as little as 30% of the total price, and for multiple-home owners banks can decide the down payment level "cautiously." The original rule stated a buyer of a second home was subject to a minimum down payment that could be up to 70%.

### Land sales drop by nearly half in 300 cities

Land sales revenue in 300 cities – not including Beijing – plunged by nearly half in the third quarter from the same period last year as developers shunned government land sales amid a market downturn. Analysts said developers might adjust their land purchase plans if they could be convinced sales would improve after the central and local governments took steps to relax restrictions in a bid to bolster the sluggish property sector. The China Index Academy said sales in 300 cities amounted to CNY415.9 billion for the three months to September. Revenue from residential sites dropped by half to CNY265.3 billion as developers cut back their budgets for land acquisition, it said. A separate survey by another research institute, China Real Estate Information (CRIC), found that land-sales volume in 100 major cities fell 6% quarter-on-quarter during the third quarter, to CNY995.2 million square meters. On a year-by-year basis, it was down 47%. Total sales revenues fell 18% quarter-on-quarter to CNY127.8 billion, down 75% year-on-year. The average land transaction price fell 13% quarter-on-quarter, or a 52% decline year-on-year. Developers were now waiting to see the impact on the market of a series of relaxation measures taken at the local and central level. Forty-one of the 46 cities that introduced home-purchase restrictions have relaxed them in the past few months in an effort to boost the sector.

- Soho China has agreed to sell part of its uncompleted office-retail project in Shanghai to Ctrip Shanghai for HKD3.85 billion, nearly double the amount the Beijing developer paid for the site in 2010. In a filing with the stock exchange, the company said it had acquired the site for the Sky Soho project for HKD1.96 billion in 2010. The project is expected to be completed this quarter. The price tag translates into HKD38,435 per square meter.
- China Merchants Land will bring in Ping An Real Estate Investment as a partner in its recently acquired CNY1.18 billion residential-commercial development site in Nanjing. China Merchants Land said wholly-owned Runray Holdings would sell a

49% stake in Cyber Light Investments to Fujin Investment Management, which is controlled by Ping An Real Estate. China Merchants Land bought the 57,945 sq m site in May through Cyber Light, which is wholly-owned by Runray. The site could yield 244,527 sq m in gross floor area.

- The 632-meter Shanghai Tower will become China's tallest building and the world's second-tallest after the 828-meter Burj Khalifa Tower in Dubai. Located in Lujiazui, Shanghai's financial zone, the skyscraper, to be completed in 2015, will not hold the title for long. Zhongnan Center, in Suzhou in Jiangsu province, is planned to be more than 700 meters high. In Wuhan, capital city of Hubei province in Central China, a 1,000-meter-tall twin tower has been designed and, if approved by the government, will be erected in 2018. By 2020, China should have six of the world's top 10 skyscrapers.

## SCIENCE & TECHNOLOGY

### China to open its first high-security biosafety lab

China's first high-security biosafety laboratory will be ready for use by December. The facility, which has been under construction since July 2011, has been billed as the first in China that will be equipped to handle Class 4 pathogens (P4) -- dangerous viruses that pose a high risk of person-to-person transmission, such as those that cause haemorrhagic fevers like Ebola. The laboratory in Wuhan, Hubei province, was built in cooperation with the French bio-industrial firm Institut Merieux and the Chinese Academy of Sciences (CAS). It joins just a handful of labs around the world cleared to handle the most highly pathogenic germs. The Wuhan P4 laboratory comes "at a crucial moment", said Institut Merieux president Alain Merieux in Beijing. "Now we are all working side by side on Ebola," he added, referring to French and Chinese efforts to address the crisis in affected African countries.

### First Confucius Institute founded 10 years ago

The Confucius Institutes enter their second decennium, as the first one was opened ten years ago in Uzbekistan in 2004. To date, China has opened 465 Confucius Institutes in 123 countries and regions. There are also 713 Confucius Classrooms operating in middle and primary schools, teaching Mandarin and cultural communication programs. September 27, 2014 was proclaimed the first Confucius Institute Day. In the past ten years, the Confucius Institutes:

- Trained 200,000 Chinese-language teachers for more than 100 countries.
  - Provided scholarships for 25,000 students from more than 110 countries to support them in achieving a degree in China.
  - Supported 12 universities in eight countries to set up their own Chinese language education major.
  - Compiled and published textbooks on the Chinese language written in 54 languages around the world.
- 
- Images taken by China's most advanced civilian earth observation satellite were released as a senior official announced that an orbiting high-definition network will be created by 2020. The images were shot by the Gaofen-2 satellite, which was launched at the Taiyuan Satellite Launch Center in Shanxi province on August 19. It can distinguish a 1-meter-long object and photograph it in full color from 600 kilometers above the Earth, according to the China National Space Administration.

## STOCK MARKETS

### Fluor sues Shanghai Zhenhua over wind farm dispute

Engineering contractor Fluor has sued Shanghai Zhenhua Heavy Industry over an escalating dispute in the Greater Gabbard wind farm project in Britain and is demanding GBP250 million in compensation as the Chinese firm warned it may file a counterclaim over the matter. Shanghai-listed Zhenhua, the world's largest crane builder, said in a stock market filing it received a writ from the High Court of Justice in London. Fluor is a subsidiary of Texas-based Fluor Corp, which has a market capitalization of USD10.6 billion.

## TRAVEL

### Holiday causes huge traffic jams

About 100 million Chinese went on holiday on October 1 for the National Day Golden Week ending on October 7. Train tickets were sold out and the roads were clogged by holiday traffic. Beijing, Shanghai and Tianjin have experienced massive traffic jams, both entering and exiting the cities. At the toll booths on the Beijing-Shanghai Expressway, drivers reported having moved only 100 meters in two hours, and Beijing traffic police reported congestion on virtually all ring roads. Shanghai's three main railway stations handled a record 480,000 passengers on the first day of the seven-day National Day holiday. Increased capacity, with more trains added for the holiday, as well as pleasant weather, contributed to the increase. The previous record was on the same day last year, when the Shanghai, Shanghai Hongqiao and Shanghai Southern stations dealt with 427,600 passengers. Inter-provincial highways also saw heavy traffic with congestion causing vehicles leaving the city to line up for hours before reaching highway exit points. About 70,000 passengers took buses at the Shanghai Long Distance Bus Station, mostly to Shandong, Henan and Jiangsu provinces.

The Ministry of Transport said 86.7 million people traveled by road in the first four days of the holiday, a 4.5% year-on-year rise.

- The first high-speed railway in Xinjiang will open in mid-October and cut journeys to nearby provinces from 12 hours to about eight hours. The Lanzhou-Xinjiang High-Speed Railway, which began construction in 2009, will serve as a key link between the region and the provinces of Gansu and Qinghai. It will also help shorten travel time between Beijing and Urumqi, Xinjiang's capital, from 40 hours to less than 20. The 1,776 km of track, which will be the longest high-speed railway line in the world, cost CNY143.5 billion including 31 stations.
- Chinese authorities have suspended visits by tour groups to Hong Kong as the city's democracy movement threatens to become an international diplomatic issue. The China National Tourism Administration (CNTA) told operators not to organize tour groups to the city, but people who already had bookings and individual travelers would not be affected. Mainland Chinese tourists account for 75% of total visitors to Hong Kong.
- As China's iron and steel industry continues to struggle after years of overcapacity, Magang Group is focusing on the manufacture of steel wheels. Established in the 1950s and located in Ma'anshan, a city in Anhui province, the company was the birthplace of the first train wheel production line in China in 1964. It enjoys about a 50% share of the Chinese rail wheel market and has assets of CNY88.6 billion. Ma Steel acquired Valdunes, the high-speed train wheels manufacturer based in France, four months ago.
- The Sunrise Kempinski Hotel Beijing is due to open in mid-November. The eye-catching 97-meter-high luxury hotel has 21 floors filled with 306 guestrooms and suites. It is designed by Shanghai Huadu Architect Design Co and sits on the shore of Yanqi Lake, about 60 kilometers from Beijing's city center. The orb-like structure was designed to look like a rising sun to symbolize China's fast-growing economy. Spanning 18,075 square meters, the exterior glass surface is covered by more than 10,000 reflecting glass panels. At night, the hotel is lit up by hydroelectric-powered LED lights.

## VIP VISITS

### Chinese Premier to visit Germany, Russia and Italy

Chinese Premier Li Keqiang will visit Germany, Russia, Italy and the UN Food and Agricultural Organization (FAO) headquarters from October 9 to 15. He will also attend the 10<sup>th</sup> Asia-Europe Meeting (ASEM) summit in Milan from October 16 to 17, at the invitation of President of the European Council Herman Van Rompuy, Italian Prime Minister Matteo Renzi and President of the European Commission José Manuel Barroso. Germany will become the first country that Li has visited twice since he took office in March 2013. Germany is China's biggest European partner in trade, investment and technological cooperation. Bilateral trade volume last year exceeded USD160 billion. In Russia, Li will hold the 19<sup>th</sup> regu-

lar meeting between the two countries' Prime Ministers with his counterpart Dmitry Medvedev. Energy cooperation will be an important topic. Li's visit to Italy coincides with the 10<sup>th</sup> anniversary of the China-Italy comprehensive strategic partnership.

- Chinese Foreign Minister Wang Yi visited Washington after attending the UN General Assembly in New York. He met with his counterpart John Kerry and President Barack Obama, who will visit China from November 10 to 12 for the economic summit of Asia-Pacific leaders.

## ONE-LINE NEWS

- Microsoft launched its Xbox One gaming console in the China (Shanghai) Pilot Free Trade Zone (FTZ), ending a 14-year ban. The Xbox One will be the first game console legally available in China since 2000.
- The Fourth Plenary Session of the Chinese Communist Party's 18<sup>th</sup> Central Committee will be held on October 20-23, focusing on the rule of law. A complete legal system, featuring efficient enforcement, close supervision and forceful guarantees, must be put into place, the Party announced.
- Shen Hao, former Director General of the 21<sup>st</sup> Century Press Group, is under investigation for an alleged news extortion scheme. He has been detained along with 30 others from the firm, including their chief editors and advertising executives. He directed his group's reporters to force pre-IPO companies into signing advertising "cooperation deals" with the media outlets, threatening to run negative reports about them if they did not comply.
- President Xi Jinping called for solidarity in party ranks as he delivered a speech at a National Day gathering attended by almost all retired and current leaders. The rare public appearance together of the present and former leaders comes amid intense internal debate over the current anti-corruption drive before a crucial party meeting. Among those present were former Presidents Jiang Zemin and Hu Jintao, former Premiers Li Peng, Wen Jiabao and Zhu Rongji, and almost all surviving former Members of the Communist Party's Politburo Standing Committee.
- Communist Party anti-graft inspectors have found nearly 75,000 cadres in breach of austerity measures since President Xi Jinping launched a nationwide crackdown on corruption in January 2013. The Central Commission for Discipline Inspection (CCDI) said that by the end of August, 74,333 of the Party's 86 million members had been investigated, with 27% punished. Others were disciplined or sent warning letters. The campaign has brought down at least 51 provincial and ministerial-level officials.
- By September 15, 1,677 foreign-funded firms accounted for 13.7% of the 12,266 newly-established enterprises in the Shanghai Pilot Free Trade Zone (FTZ), and 283 projects had settled in the zone after the introduction of 23 measures designed to open up its services sector to foreign investment. As of September 21, 10 Chinese banks had been authorized to open 4,110 free trade accounts.
- The Shanghai Futures Exchange may launch crude oil futures this winter in the Shanghai Pilot Free Trade Zone (FTZ). The trading center was established last November, and it was the largest company registered in the FTZ with registered capital of CNY5 billion. The Shanghai Stock Exchange also plans to set up a trading platform for international financial assets.

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### **Membership rates for the period September – December 2014:**

- SMEs: €150
- Large enterprises: €325

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