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Publications
FCCC publishes “FCCC Members’ Portraits in China Vol.2”

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GM, Ford launch high-end models in China

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Seventh monthly fall in housing prices recorded

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Convenience stores gaining ground on hypermarkets

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80% of China’s wealthy send their children abroad to study
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• 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 Please be informed that the advertisement opportunities are limited.
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.
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**FCCC ACTIVITIES**


The Flanders-China Chamber of Commerce (FCCC) is organizing a seminar focused on ‘Human Resources Challenges in China’. This event will take place at 17h00 on Tuesday 2 December at Bekaert, Onthaalcentrum, Otegemstraat, 8550 Zwevegem.

Human resource management continues to be one of the biggest challenges when doing business in China. Rising labour costs and human resource shortages have become one of the top risks. During this seminar, experts will share their experiences and they will also give you valuable information on how to deal with these challenges.

The programme is as follows:

17h00 Registration
Welcome by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of
17h30 Commerce
17h35 ‘Key Labour Trends in China’ by Mr Jordi Martin, Business Development Manager, Koehler Group
18h00 ‘HR Challenges in China’ by Mr Bernard Vanhecke, Vice-President Human Resources North and South East Asia, Bekaert
18h40 Question & Answer session followed by a networking reception

If you are interested to attend this event, please register online. Members FCCC: €65. Non-Members FCCC €95.

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


The Flanders-China Chamber of Commerce (FCCC) is organizing a seminar focused on ‘Three Case Studies of Successful Businesses in China: Agfa, Recticel, Yellow House’. This practical seminar will take place at 15h30 on Thursday 11 December at Agfa-Gevaert, Septestraat 27, 2640 Mortsel.

SME’s face many challenges when doing business with China. During this session, you will hear the story of two SME’s and an MNC that managed to develop successful business with China.

The programme is as follows:

15h30 Registration
15h35 Welcome by Mr Stefaan Vanhooren, Vice-Chairman, Flanders-China Chamber of Commerce
15h40 Experiences of Agfa-Graphics in China by Mr Stefaan Vanhooren, President Agfa Graphics Member of the Executive Committee, Agfa-Gevaert
15h50 Experiences of Recticel in China by Mr Filip Goris, General Manager Asia, Recticel
16h00 Experiences of Yellow House in China by Mr. Neil Selby, Co-Founder, Yellow House

Please register online before 8 December 2014. Members FCCC: €65, Non-Members FCCC €95.

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

ACTIVITIES SUPPORTED BY FCCC


Moore Stephens, together with Delaware Consulting, De Wolf & Partners Shanghai Office, Goyens & Partners, the Benelux Chamber of Commerce in China (BenCham) and the Flanders China Chamber of Commerce (FCCC) are organizing an event covering all aspects of your business operations in China.

As the year comes to an end, a team of experts will provide you with a view on what we can expect in 2015, in the areas of Accounting, Technology, Legal and Human Resources. This event is specifically designed for Belgian companies with operations in China or Belgian companies which are planning to enter the Chinese market.

The event will be divided into 4 parts, each using relevant case studies to give you the reality ‘on the ground’ on all these topics, followed by Q&A and a networking reception.

Program:
16h30 Registration starts
17h00 Opening of the event and welcome
17h10 Scott Krivokopich, Director at Moore Stephens: The real message behind your
Chinese reports
17h35 Jan Vets, Partner at Delaware Consulting: The end of cheap China: Opportunities ahead
18h00 Group stretch & break
18h05 Yves Tavernier, Partner at De Wolf & Partners Shanghai Office: Legal Compliance in China: a growing challenge for foreign investors
18h30 Mark Goyens, CEO of Goyens & Partners: Reposition your HR approach in China for the new challenges in 2015
18h55 Q&A
19h10 Reception

Supported by the Flanders-China Chamber of Commerce (FCCC) and the Benelux Chamber of Commerce in China (BenCham).

Date: Wednesday, December 17, 2014.
Venue: Nieuwgoed Seminariecentrum, Grotesteenweg Zuid 8, 9052 Gent
Register now

PAST EVENTS

China SME Session: ‘Understanding China’s Business Mind’ – 6 November 2014 – Gent

The Flanders-China Chamber of Commerce (FCCC) organized a seminar focusing on “Ten tips to understand China’s business mind”. This event took place on 6 November 2014 at the Flanders-China Chamber of Commerce.

Over the last thirty years China has risen to become the world’s second largest economy. By the end of the decade it is expected to become the world’s largest. The cultural influences of those driving this economic miracle are largely unfamiliar in the West. But how can you recognize the cultural contexts in which your Chinese partners are making their business choices – and how can you best respond? CKGSB Europe presents ten guiding principles that continue to inform China’s business leaders today and will continue to do so in the future.

Following an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, Mr Neil Selby, Director of Education CKGSB Europe, former International Director of Oxford University, and Mr Oliver Shiell, Chief Representative of CKGSB Europe, Board Member of China Britain Business Council, former Director of Oxford University talked about ‘Understanding China’s business mind’.

The event was concluded by an exchange of views and a networking reception. It was organized with the support of Flanders Investment & Trade.

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, Mr. Antti Peltomäki, Deputy Director-General – Directorate-General Enterprise and Industry, EU Commission, led a technical Mission for Growth to Chengdu from 21 to 23 October 2014. The purpose of this visit was to confirm the strong political relationship between the EU and China and to strengthen their cooperation in strategic fields. Director-General Mr. Daniel Calleja Crespo was accompanied by a delegation of representatives of business associations and entrepreneurs to discuss with Chinese politicians and entrepreneurs how to foster European industrial cooperation. During this mission, the Flanders-China Chamber of Commerce was represented by Mrs Gwenn Sonck, Executive Director, and Secretary-General EU-China Business Association.

The Mission took place in conjunction with the IX EU-China Business and Technology Cooperation Fair. This event has been held for eight editions attracting 3,255 Chinese companies and 1,572 European companies. More than 10,000 bilateral meetings took place with one third of successful matches. The IX fair gathered 800 to 1000 representatives of SMEs, clusters, business associations, R&D institutions and government bodies. More information on the Chengdu Hi-Tech Industrial Development Zone is available in Chinese at www.cdht.gov.cn and in English at www.chengduhitech.co.uk
China Information Session: Current Immigration and social security landscape and recent corporate tax developments in Belgium – Wednesday 15 October 2014 – Deloitte, Diegem

The Flanders-China Chamber of Commerce, the Chinese Association of Entrepreneurs in Belgium and Deloitte, organized a China information session focused on the current immigration and social security landscape and the recent corporate tax developments in Belgium. It was 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 were Mr Erwin Vandervelde, Deloitte, and Mr Filip Van Overmeiren, Laga.

Part two: Recent corporate tax developments in Belgium – unknotting 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. The Speaker was Mr Coen Ysebaert, Deloitte.

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.

AUTOMOTIVE

GM, Ford launch high-end models in China

China is the new El Dorado for U.S. carmakers looking to develop sales of their luxury brands, which globally are lagging behind German and Japanese rivals. General Motors, the largest U.S. carmaker, already sells more cars in China each month than it does in its home market and expects that to continue. “Our joint ventures in China are working to boost production capacity by 30% to more than five million units annually by 2015,” GM Executive Mary Barra told the firm’s annual shareholders meeting. GM launched a Chinese-produced luxury sedan, the XTS, last year and is steadily adding more vehicles to its Cadillac range. China, the world's largest car market, accounts for about 25% of global luxury car sales and its share is growing. German carmakers, including Audi, BMW, Mercedes and Volkswagen, hold about 80% of the premium market. General Motors is not the only U.S. company looking at luring the Chinese high-end buyer. In October Ford Motor launched its first vehicles under the Lincoln brand in China, especially designed for the market: a mid-sized sedan and a compact SUV. In early November, Lincoln opened its first dealerships in Beijing, Shanghai and Hangzhou.

- The Chinese tire industry has urged the government to take decisive measures against the anti-dumping and countervailing duties imposed on tires imported from China by the United States Department of Commerce. The U.S. government said tires for passenger cars and light trucks produced in China were unfairly subsidized and should be subject to punitive tariffs ranging from 17.7% to 81.3%, depending on the manufacturer. The highest rate will apply to tires from Shandong Yongsheng Rubber Group Co.

- Cooper Chengshan (Shandong) Tire Co, a joint venture founded by China’s Chengshan Group and U.S.-based Cooper Tire & Rubber Co, will be wholly-owned by Chengshan. The two companies have reached an agreement in which Chengshan will buy the 65% of shares held by Cooper in the joint venture at a price of USD280 million. The new company will be named Pulin Chengshan (Shandong) Tire Co.
Banks facing shrinking interest margins

The latest round of interest rate cuts will add more pressure to the already shrinking interest margins of Chinese lenders and trigger fierce competition among them for deposits, industry experts said. Effective November 22, the People’s Bank of China (PBOC) cut the one-year benchmark lending rate by 40 basis points to 5.6% and the one-year benchmark deposit rate by 25 basis points to 2.75%. Other benchmark deposit and lending rates were lowered accordingly, with a simplified term structure. The central bank also raised China's deposit rate ceiling from 1.1 times the benchmark to 1.2 times. “The asymmetric interest rate cut could put significant pressure on the profitability of lenders. If banks offer a 20% deposit rate premium and new benchmark lending rates, the interest margin could be narrowed by 40 basis points,” said Zhu Haibin, Chief China Economist at JPMorgan Chase & Co. According to China International Capital Corp (CICC), lenders’ profit growth may slide next year by 10 percentage points to zero or turn negative as net interest margins contract. To keep them at the current level or even increase the margins, commercial lenders must change the structure of their clients by extending loans to small and medium-sized businesses, said Li Shanshan, Analyst at Bocom International Holdings Co. Competition for deposits is going to intensify, the China Daily reports.

More countries use yuan for payments

Fifteen more countries are now using the yuan to settle more than 10% of their trade and investment deals with mainland China and Hong Kong – a development known as “crossing the RMB river” – according to the latest data from global payment system Swift. The 15 include Germany, Canada, Sweden, Indonesia, Australia and Malaysia. Fifty of the 161 countries that exchanged payments with mainland China and Hong Kong last month used the yuan for more than 10% of their payments. The currency is now used for 11.2% of total payments with mainland China and Hong Kong, up from 6.2% 18 months ago. Sweden's yuan-denominated payments saw the biggest increase, jumping by 1,050% since April last year. In Germany, which got a clearing bank earlier this year, the yuan trade rose 151%. Canada saw payments climb 346% on the back of the latest currency-swap deal and its push to establish yuan hubs in Vancouver and Toronto. Beijing has been encouraging trade and investment in yuan through currency-swap agreements and the renminbi qualified foreign institutional investor scheme (QFII). The yuan now ranks as the world's seventh-largest payment currency. But despite robust growth in certain key markets, the overall value of yuan trade last month fell 7.2% year-on-year, against average growth of 0.4% for all currencies, the South China Morning Post reports.

China to establish deposit insurance system

China plans to introduce a deposit insurance system to protect depositors and promote fair competition among large and small banks. The system will be established in six months or a year, according to the People's Bank of China (PBOC). The central bank will cap insurance coverage at CNY500,000 for each client's deposits at each bank. Such coverage will give full protection to 99.6% of the depositors in China, said Huang Xiaolong, Deputy Director General of the PBOC’s Financial Stability Bureau. Deposits exceeding CNY500,000 will be protected under a fund to help well-managed banks acquire other banks that have serious problems, thus protecting clients by having their deposits transferred to well-managed banks. “The system will significantly raise the credit and competitiveness of small and medium-sized banks, rather than causing deposits to flow from small banks to large banks,” Guo Tianyong, Director of the Research Center of the Chinese Banking Industry at the Central University of Finance and Economics said. The People's Bank of China will set different premium levels based on a bank's operating and risk management conditions, but it will not increase their financial burden and will have minimal impact on their profits before tax because it will account for only 0.5% of their operating costs, according to the central bank. Foreign banks' mainland units and Chinese banks' overseas units are not covered by the scheme. China had CNY49.9 trillion of personal deposits and CNY53.7 trillion of corporate time and demand deposits in October, according to the PBOC.

Bank of China (BOC) predicts Australian corporate borrowers will start issuing dim sum bonds by the middle of next year after the first offering from the state government of New South Wales. The market could reach hundreds of billions of yuan over the
next few years. Australian issuers have sold the equivalent of at least USD79 billion of notes offshore this year, borrowing in currencies ranging from U.S. dollar and euro to Swiss franc and Japanese yen.

- The China Banking Regulatory Commission (CBRC) has allowed more municipalities and provinces – Beijing, Tianjin, Chongqing, and Fujian and Liaoning provinces – to set up local asset management companies (AMCs) to handle bad loans owed by local governments and financial institutions. The expansion of the local AMCs trial to a total of 10 cities and provinces signaled the government’s intention to eventually apply it nationwide.

- Tighter regulation over credit card issuers is a healthy sign for the development of the country’s asset-backed securities market, ratings agency Fitch said a week after the regulator issued a ban on securitizing credit card debt. The China Banking Regulatory Commission (CBRC) fined seven banks CNY2.4 million for granting excessive credit and not verifying borrower information. Delinquent credit card debt hit CNY32.1 billion in the second quarter of the year – the fifth straight quarter of rising delinquency – representing 1.57% of China’s outstanding credit card debt, according to Fitch.

- Wenzhou Minshang Bank, a Wenzhou-based private commercial bank, could launch this month. It would be the first private bank to open on the mainland since China Minsheng Bank started operating in 1996. Chint, a manufacturer of electrical industry equipment, and polyurethane producer Huafon, have backed the bank. In March, the regulator said 10 private companies had been included in a private banking pilot program.

- The People’s Bank of China (PBOC) will wait until fourth-quarter economic data is out and monitor American and Japanese monetary policy before considering any more interest rate cuts or easing, according to Chen Yulu, who sits on the PBOC’s Monetary Policy Committee. “It is also important to make decisions taking into account Japanese and U.S. monetary policy,” he added.

- China is likely to announce value-added tax policies for the financial sector in the first half of next year in its bid to eliminate double taxation. Banks, insurance companies and brokerages will pay VAT, instead of business tax next year that will allow them to deduct some spending from the tax base, PricewaterhouseCoopers (PwC) said. The companies are now paying 5% tax on their total revenue. VAT reforms for the real estate and construction industry and other services sectors are also expected to start next year.

- China’s cross-border trade settled in the yuan will likely double in the next five to seven years, which will generate opportunities for financial institutions in offshore markets for the currency, Chan Tak-lam, Chief Executive of the Hong Kong Monetary Authority (HKMA) said. Yuan-denominated foreign trade accounts for 15% to 20% of the country’s total trade and that percentage will likely rise to 40% to 50%, indicating more acceptance of the yuan among international traders and investors, Chan told a news conference in Beijing.

- During the third quarter, the 10 Hong Kong-listed Chinese banks wrote off CNY47.3 billion in non-performing loans (NPLs), up 110% from the first quarter, according to data from BNP Paribas. Banks tend to write off more loans as the year progresses but third-quarter write-offs at these banks still jumped 77% on the same period in 2013, showing an increased drive by banks and regulators to keep NPL ratios low.

**FOREIGN INVESTMENT**

**Microsoft to pay CNY840 million in back taxes and interest**

China’s first major case of cross-border tax evasion involving a large U.S. multinational has been revealed by state media. Microsoft admitted tax evasion and its Chinese subsidiary had agreed to pay the central government CNY840 million in back taxes and interest, as well as more than CNY100 million in additional taxes a year in the future. “Because the amount involved is huge and the impact is enormous, this case has been called China’s first major anti-tax evasion case,” Xinhua News Agency said. “This case highlights the common tactic of multinationals to avoid tax, by transferring profits through various countries, taking advantage of differences in their tax rates.” Xinhua did not name the company, but it was later reported to be Microsoft. Hong Kong could be expected to cooperate with Beijing’s efforts to combat international tax evasion because Hong Kong had a tax treaty with the mainland that included
the exchange of tax information. Hong Kong is a logical link for potential cross-border tax evasion, because many multinationals have factories on the mainland and offices in Hong Kong, the South China Morning Post reports.

FOREIGN TRADE

China's export growth outpaces most major economies

Exports grew strongly in China and India in the third quarter of the year but slowed in other major economies, according to international trade statistics from the Organization for Economic Cooperation and Development (OECD). Total merchandise exports of the Group of Seven leading industrialized nations (the United States, Japan, Germany, Britain, France, Italy and Canada) and the BRICS economies (Brazil, Russia, India, Indonesia, China and South Africa) grew 1.6% year-on-year, outpacing the 0.4% rise in imports, driven by strong trade growth in China and India. China's exports grew 7.6%, the fastest pace since the first quarter of last year, while imports climbed 2.5%. Exports and imports contracted in all the major eurozone economies. U.S. export growth slowed to 1.1%, while imports declined 0.3%. The OECD data also showed China's trade surplus jumped 37% quarter-on-quarter to a record USD114 billion, rising for the second consecutive quarter.

- Chinese law firms and their overseas counterparts will be allowed to cooperate on international legal cases in the China (Shanghai) Pilot Free Trade Zone (FTZ). The Shanghai government announced measures on mutual accreditation of lawyers between Chinese and foreign law firms located in the FTZ and on cooperative arrangements for domestic and foreign law firms. At present, the representative offices of foreign law firms in China may only offer information on China's legal environment. They may not litigate cases or employ Chinese lawyers. Shared offices should be in the premises of the Chinese law firms or their branches in the FTZ, or in the Shanghai representative offices of foreign law firms that establish a presence in the FTZ.

HEALTH

Medicine prices to be determined by the market

Prices of more than 2,700 drugs will soon be determined by the market, rather than the government, as China gets ready to roll out its ambitious drug pricing reform plan. The National Development and Reform Commission (NDRC) has already sent the draft plan on drug pricing reforms to eight related industry associations to solicit opinions. Currently government-priced drugs account for around 23% of the total drug market in China. The reforms stipulate that the maximum retail price, or factory price of drugs, will not be fixed by the government from January 1, 2015. Class I psychic drugs, anesthetic drugs and low-cost drugs will still be governed by the current pricing policy. The possibility that drug prices will rise in some retail drugstores in the initial stages cannot be ruled out. China is the world's second-largest pharmaceutical market, and its spending on medicines will reach about USD155-185 billion in 2018, according to the latest report from market research firm IMS.
The first national-level copyright auction for movie and TV content will be organized this month by the Writers Publishing House, the International Copyright Exchange and the government of Yongkang city in Zhejiang province. The auction has attracted 860 written works ranging from history and science fiction to war, love and ethics. The rights to 682 screenplays, 146 novels including two from Singapore and five from Taiwan and 32 movie and TV projects, including 28 from overseas, will be auctioned.

- Police investigated 16,000 intellectual property cases and caught more than 20,000 suspects nationwide in the first nine months of the year, Cai Haotao, Deputy Director of the national anti-infringement office, announced at a press conference. The administrative enforcement system dealt with 112,700 infringements and closed more than 1,900 sales and production sites for fake products across the country.
- The Qingdao Intermediate People's Court recently set up a dedicated IP circuit court in the city's Sino-German Ecopark, the first of its kind in the province. The court is responsible for the first trial of cases related to patents, new plant varieties, integrated circuit designs, technological secrets and computer software. It will also provide “quick channels” for preliminary injunctions and evidence preservation.
MACRO-ECONOMY

Executive salaries at central SOEs to be cut

Executives of China’s central government-controlled state-owned enterprises (SOEs) may have to publicly reveal their salaries, the Economic Information Daily reported. “Central SOEs' senior executives' invisible income has been the most controversial gray area of SOE compensation and a focus of inquiries from the public,” the newspaper said. The compensation level for executives appointed by the state would fall to seven to eight times that of an average employee, compared with 12 at present. The first round of pay cuts would involve 72 central SOEs. Executives of China’s biggest banks could face pay cuts of as much as CNY1 million. The central government is also setting up a standard non-salary compensation and supervision system, which will prohibit executives from claiming non-salary income from their firms, or bonuses from subsidiaries. The campaign comes as the government seeks to push forward a wider campaign against extravagance and decadence by officials employed by the state.

Deflation biggest risk to economy, says PBOC

The People's Bank of China (PBOC) sees falling prices as the biggest risk to the economy and also the primary reason behind its first interest rate cut in two years, Deputy Governor Hu Xiaolian said. “The emphasis that the prudent monetary stance will stay intact doesn't mean we wouldn't adopt various monetary tools,” she added. “Cutting benchmark rates was aimed at making the actual interest rates more reasonable, in a bid to help ease the financing burden facing companies.” She played down concerns about slowing growth, although many analysts believe the rate cut was also prompted by worries over economic prospects. China's inflation rate eased to a near-five-year low of 1.6% in the past two months, far below the official goal of about 3.5% for this year. The producer price index has stayed negative for two years amid sluggish industrial demand. The deflationary pressures, which make borrowing more costly, were largely linked to the cooling property sector and excessive capacity in industries such as steel. Hu said the 7.4% expansion in gross domestic product (GDP) in the first three quarters of the year was “in a reasonable range” and expressed “full confidence” in healthy growth ahead, the South China Morning Post reports.

- China’s state-owned enterprises (SOEs) face rapidly expanding operating costs and liabilities. Operating costs of SOEs grew 4.8% year-on-year to CNY38 trillion in the first 10 months, outpacing a 4.5% increase in operating revenue, according to China’s Ministry of Finance. Liabilities rose 12.1% to CNY65.5 trillion, 0.2 percentage points faster than the growth in assets. Despite all the pressure, the SOEs reported nearly CNY2.1 trillion in profits from January to October, up 6.1% year-on-year.

- Industrial companies’ profits fell 2.1% year-on-year in October, the steepest decline since September 2012, the National Bureau of Statistics (NBS) announced. Analysts said the figure suggests that the economy is continuing to slow in the current quarter. The October figure was the second profit decline this year, the first being a fall of 0.6% in August. Profits rose 0.4% in September. During the first 10 months, total industrial profits reached CNY4.94 trillion, up 6.7% year-on-year.

REAL ESTATE

Seventh monthly fall in housing prices recorded

China's housing prices fell on a monthly basis for the seventh straight month in November. The average price of a new home in China's 100 major cities was CNY10,589 per square meter in November, down 0.38% from October, the China Index Academy said in a statement. “We expect the interest rate cut to kick in next year,” said Bai Yanjun, Research Director at the Academy. “We still believe the market is under downward pressure for the rest of 2014 because the current home inventory levels in first-tier and major second-tier cities are still high,” he said. “The rate cut sends a strong signal that the property market will likely bottom out soon,” Lu Ting, China Economist for Merrill Lynch Hong Kong, said. On a year-on-year basis, China's new home prices fell 1.57% from the same month of last year. But in China's 10 biggest cities – which tend to have the most active property markets – new home prices rose 0.07% in November from October, marking the first gain after six months of drops. Shanghai was the best performing city with housing prices rising 1.18% in November from October to CNY32,140 per sq m, making it the second-most expensive city behind Beijing.
Property companies with high levels of onshore debt are expected to benefit from the recent interest rate cuts. David Hong, the head of research at China Real Estate Information Corp, estimates funding costs for companies will drop about 3% if their outstanding debt is aligned with the central bank's new benchmark rate. Analysts expect banks to start adjusting rates on outstanding loans from the beginning of next year. China Vanke, China's largest developer by sales, stands to benefit the most, according to analysts. Vanke has 86%, or CNY70 billion, of its borrowings denominated in yuan.

China has stepped up efforts to crack down on wasteful construction projects and ostentatious office complexes by introducing tighter standards and specific regulations for Communist Party and government buildings. One guideline sets out that the size of a Minister's office cannot exceed 54 square meters. Luxurious decorations and a landmark building style are banned, and office buildings cannot be built on scenic spots. Additionally, buildings' room temperatures cannot be higher than 20°C during winter.

Developer Sunac China is considering terminating its 24% acquisition of Greentown China. In May, the home builder said it would pay HKD6.3 billion for the stake. However, in late November, Sunac said it was considering a revision to the original deal after the founder of Greentown expressed a desire not to sell.

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RETAIL

Convenience stores gaining ground on hypermarkets

Convenience stores are gaining ground on hypermarkets as hypermarket operators try to offset the high costs of physical stores. Another factor is the fast growth in online shopping. French Carrefour, the world’s second-largest retailer by revenue, recently opened its first convenience store in Shanghai after two decades in the country, in a sign that traditional hypermarkets are gradually shifting to smaller-sized stores. Convenience stores close to residential areas have been gaining market share. The average saturation level of convenience stores on the Chinese mainland is one for every 5,000 people, compared with Japan and Taiwan where there is one for every 2,000 residents. The convenience store sector is now considered to be the fastest-growing section of the retail industry with a growth rate of 19.5% on average in 2013 in 26 cities, significantly higher than that of department stores and hypermarkets.

- The catering industry has seen stirrings of recovery after struggling through the government's austerity campaign, but further innovations in services are necessary, the China Cuisine Association (CCA) said in its annual report. In the first 10 months of the year, revenue was up 9.7% to CNY2.26 trillion, which the CCA said was “a slight increase” from last year. Growth peaked in May and touched bottom in August.
- Walmart Stores has dismissed around 20 mid- and senior-level executives and closed stores in China as part of a restructuring. The company said the measures will optimize the organization. The company also said it was making “good progress” toward opening around 110 new stores across China between now and 2016. The company reported a 0.8% fall in China sales during the quarter to October 31, which it attributed to government austerity measures and deflation.
80% of China’s wealthy send their children abroad to study

80% of China’s richest families send their children abroad to be educated, compared with 1% of Japan’s richest families, according to research by the Hurun Research Institute. It is the highest percentage in the world. In France the number is less than 5% and in Germany less than 10%, said Rupert Hoogewerf, publisher of the report. “In 20 years’ time, it is possible that the U.S. president or UK prime minister will be classmates of these Chinese students studying overseas,” Hoogewerf said. Education is a major interest for the wealthy, with 64% of the richest families planning to send their children abroad before college, the United States and the United Kingdom being their top choices. The richer the families are, the younger they tend to send children abroad. Millionaires send their children abroad at an average age of 18, while billionaires do so when their children reach the age of 16, the report said. William Vanbergen, CEO of BE Education, a Shanghai-based consultancy that helps to prepare students for overseas study, has noticed an increase in the number of Chinese entrepreneurs sending their children to the world’s top schools. Figures from the Chinese Ministry of Education show that more than 3 million Chinese students studied overseas from 1978 to 2013. The latest figure show 413,900 Chinese studied abroad in 2013, an increase of 3.58% from the previous year.

Chinese institutions gain ground in research

Chinese institutions have become a rising power in scientific research. According to the Nature Index 2014 Global, Chinese institutions, led by the Chinese Academy of Sciences (CAS), have increasingly contributed to global science. The Academy, which published 165 articles, ranked No 6 worldwide and led the Asia-Pacific region, followed by the University of Tokyo, which ranked No 8. Harvard University topped the list with 387 articles published. Nine Chinese institutions were placed in the top 200, up from three in 2013. The United States still dominates the rankings, with five of the top ten research institutions. The country invested CNY1.18 trillion in research and development (R&D) in 2013, or 2.1% of China’s GDP, according to the National Bureau of Statistics (NBS).

- Hong Kong has moved up two places to become the world's fifth-best city for international students, according to London-based institution-assessment agency QS Quacquarelli Symonds’ annual report. The city lost out to four European and Australian cities – Paris, Melbourne, London, and Sydney – which took the first to fourth places respectively.
- About 40% of Chinese graduates returning from studies overseas make less than CNY5,000 a month – even if they have master's or doctorate degrees, an official study released by the Ministry of Education shows. Another 40% of all returned students earn between CNY5,000 and CNY10,000. More than 63% of students who returned home held at least one master's degree, 30% held a bachelor's degree, while 6% had a doctorate.
- Maple Leaf, the biggest international school operator in China based in Dalian, has secured a USD9.5 million investment from the International Finance Corporation (IFC), a private sector arm of the World Bank Group, to help meet the growing demand for private education. The funds would help Maple Leaf open 12 new primary and secondary schools in Xian, Yiwu and Pinghu to enroll about 9,000 students over the next three years.
- The authorities in Guangzhou have vowed to “significantly increase” their financial support of the science and technology sector over the next two years. Mayor Chen Jianhua told the Guangzhou International Urban Conference that the city government hopes to raise research and development’s contribution to local GDP to above both the national and provincial average. Guangzhou has 60% of Guangdong province’s colleges and universities, 77% of its R&D institutes and all of its top state-owned laboratories.

STOCK MARKETS

European watchdog not satisfied with Stock Connect investor protection

Concerns by Europe's top funds watchdog that the landmark Hong Kong-Chinese mainland
trading link may not adequately protect investors are preventing thousands of funds from buying Shanghai stocks, threatening the success of the project. Within a week of its launch, trading volumes had dwindled to less than 20% of the maximum allowance. Banks, fund managers and lawyers told Reuters that was because many large EU-regulated funds are unable to participate until Europe's main funds regulator, Luxembourg's Commission de Surveillance du Secteur Financier (CSSF), is satisfied that the scheme protects investors. About 13,000 global mutual funds, or two-thirds of Europe's funds industry, are domiciled in low-tax Luxembourg. The CSSF wants guarantees that the Chinese shares bought by EU investors can be adequately recovered should the custodian bank or one of the exchanges go bust. Several market participants said the CSSF has questioned whether the Stock Connect's arrangements meet Europe's strict rules governing the safe-keeping of assets managed by mutual funds for retail investors. Some market participants said it could take six months to find a solution to satisfy the CSSF, or longer if China is required to make changes to its securities law, the China Daily reports.

Shanghai market in historic high

The Shanghai A-share market made history on November 28 by breaking the world record for turnover by any stock exchange in a single day. More than CNY700 billion worth of shares changed hands on the bourse. The previous record was turnover of USD99.5 billion, or CNY610 billion at the current exchange rate, on July 26, 2007, on the U.S. stock market. The market capitalization of the A-share market surpassed that of Japan's to become the second-largest in the world, following the U.S. market. Demand for A-shares has been mounting since the start of this year, reflected in the index rising by more than 27% and making the Chinese capital market one of the best performers globally. But some analysts are not convinced that the rally can be sustained much longer. "Technically speaking, in regard to growth and turnover, the A-share market is already a bull market. But the recent rally has been driven mainly by domestic capital and it is uncertain whether the momentum can be sustained," said Hong Hao, Chief Strategist at the Bank of Communications International.

• The Shenzhen-listed shares of GF Securities, one of China's largest brokerage firms, were suspended from trading last week after they hit a daily ceiling of 10% amid fresh speculation that the company was attempting to raise USD1 billion through a Hong Kong listing. In an earlier statement to the Shenzhen stock exchange, the Guangzhou-based brokerage firm said the Hong Kong listing would represent about 20% of its entire share capital, with the pricing and final size dependent on market conditions.

• Wanda Cinema Line Co, a movie theater company controlled by Chinese real estate mogul Wang Jianlin, has received approval for a share offering in China in which it hopes to raise up to CNY2 billion. Wang, who Forbes magazine says is China’s fourth-richest man, is also preparing a huge initial public offering (IPO) in Hong Kong for his property unit, Dalian Wanda Commercial Properties Co.

TRAVEL

Cruise ship sector has big potential

With only 0.1% of the Chinese population opting to take cruise ship holidays, China offers the biggest potential in the global cruise industry, but only if the current regulatory restrictions are eased, industry executives say. The number of Chinese taking holidays on cruise ships would triple to three million by 2020, accounting for almost 75% of total guests in the Asia-Pacific, said Liu Zinan, China and North Asia Vice President at Royal Caribbean Cruises, the world's second-largest cruise company. Existing regulations, including immigration restrictions, needed to be loosened for growth to happen, Liu said on the sidelines of the Cruise Shipping Asia-Pacific conference.

• China's independently developed Beidou Navigation Satellite System has been approved by the International Maritime Organization (IMO) for use in operations at sea. It means the system has been formally included in the Worldwide Radio-navigation System. Beidou is the third system to gain such acceptance after the
United States' Global Positioning System (GPS) and Russia's Global Navigation Satellite System (Glonass).

• China is in discussions with India to help it build the world's second-longest high-speed railroad with a price tag of CNY200 billion. The Delhi-Chennai trains would run at 300 km/h, covering 1,754 kilometers. Work on a feasibility study is expected to begin early next year.

• 9Air Co, the first low-cost carrier in Guangdong province, will start operations soon by providing tickets priced as low as CNY9 to tap into the booming market in South China, company officials said. The company's first flight will be on December 2 between Guangzhou, the capital of Guangdong, and Zhanjiang, a coastal city in the province's west. In South China there is a booming demand for low-cost flights for migrant workers and travelers. In the next decade, 25% to 30% of the routes in China are expected to be taken over by low-cost carriers. Currently, they represent just 5% of the entire market in China, according to Boeing Commercial Airplanes.

• The Beijing municipal government will discuss the feasibility of permanently banning vehicles from the roads on alternating days based on their number plates, after a relatively successful 10-day trial during the Asia-Pacific Economic Cooperation (APEC) meeting in November.

• Chinese aircraft parts manufacturers will set up a union soon to improve development of the civilian airline industry, according to Zhang Hui, Executive Vice President of AVIC International Holding Corp. A convention for aircraft parts suppliers in China will be held in Beijing in mid-December.

ONE-LINE NEWS

• Tibet's biggest ever hydropower project has begun generating electricity. The first generating plant at the CNY9.6 billion Zangmu Hydropower Station, which stands more than 3,300 meters above sea level, went into operation on November 23. The dam on the Yarlung Zangbo River, known as the Brahmaputra in India, will be 116 meters high when completed next year. It will have a total generating capacity of 510,000 kilowatts.

• The Central Commission for Discipline Inspection (CCDI) has launched a one-month inspection of the China Petrochemical Corp (Sinopec Group) as a part of the latest round of inspections of state-owned enterprises (SOEs) and central government departments. Zhao Wenbo, leader of the 12-member inspection team, told staff at the headquarters of the company in Beijing that the inspection would look for abuses of power and public fund embezzlement.

• The Chinese army (PLA) has relaxed its rules to allow civilian companies to supply some of its training equipment for the first time. The PLA Daily said 108 types of military kit used in drills and exercises could now be made by civilian firms. The aim is to increase innovation and improve the quality of equipment provided through competition.

• China is calling on the United States and other Western countries to work with it to send back officials who have fled overseas with public money. Xu Rong, Director General of the Ministry of Foreign Affairs' Treaty and Law Division, said China had tried to persuade the United States to sign an extradition treaty but Washington had said it was “not ready.” So far, China has concluded 39 extradition treaties and 52 criminal judicial assistance treaties with other countries.

• China’s consumption tax on oil products was last week increased for the first time in five years. The tax on gasoline rose from CNY1 to CNY1.12 per liter, while the rate on diesel will increase from CNY0.80 to CNY0.94 per liter, the Ministry of Finance and the State Administration of Taxation (SAT) said in a joint statement. As the adjustment will offset a dip in crude oil prices on the international market, analysts estimated that fuel costs for drivers would not rise.

JOBS

Operations Manager Reynaers Aluminium

Working at Reynaers. A challenge worth taking up.
Reynaers Aluminium was established in 1965 in Belgium and specialises in the development and marketing of innovative aluminium systems for building industry: windows, doors, sliding systems, conservatories, curtain walls and brise-soleil. We develop, market and distribute aluminium systems for new-build and renovation projects worldwide. Reynaers in China is a fully operational entity with local sourcing and sales in since 2005. Currently more than 20 people, HQ in Shanghai with warehouse & insulation plant in Jiangsu province.

To support our growth strategy in China we are looking for an Operations Manager.

Duties & responsibilities
The successful candidate will report directly to the General Manager with a dotted line into the Global purchasing structure and will be responsible for:

- Local sourcing, supply chain and logistics, Quality Control, customer services,
- Warehouse and production,
- ERP,
- Daily management of his team,
- Developing and managing supplier base for sourcing aluminium extrusions, accessories, gaskets, surface treatment, find new suppliers,
- Developing and implementing strategies and principles to drive cost/quality/service/KPI of suppliers in close collaboration with Global purchasing team,
- Implement and manage Quality Control system,
- Communication with customers,
- Monitor and constantly improve performance towards customers,
- Communication with related departments HQ in Belgium.

Requirements
Education:
- You are a master, or engineer, or equal experience in manufacturing and supply chain.

Experience:
- At least 6 year managerial experience in the field of operations or supply chain preferably in windows and doors, building materials or construction related industries. Experience in the aluminium industry is a plus.

Knowledge, skills and abilities:
- Proven record in logistics organizations, operations, supply chain and people management
- Ambitious and positively assertive in your approach
- You are skilled in planning & follow up
- You handle projects and manage people in a result oriented and communicative way and are able to make decisions quickly from a helicopter point of view,
- Negotiation is a key skill together with analysis capabilities,
- You are able to work in a team and proficient in using standard IT tools
- The face to face contact in the field is important for your function
- Frequent travel is expected both within as outside China
- Entrepreneurial attitude

Languages:
- Fluent knowledge of English is a requirement. Knowledge of Chinese will be considered a big advantage.

The selected candidate will be part of local senior management team, based in Shanghai and will be traveling within country and abroad according to the business needs. Interested to apply? Please send your CV to albertas.jerusevicius@reynaers.com

**JOB SEARCH**

Finance and accounting graduate looking for a job

Ms. Monique Liu is studying accounting and finance in the UK and is finishing a postgraduate course. She is looking for a suitable job. She studied at the University of Bath and the Imperial College Business School. She completed internships at the Bank of China, PricewaterhouseCoopers, KPMG and Citibank. Her C.V. can be consulted at the FCCC.
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