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business
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ONE U$D EQUALS

RMB	HKD	JPY	EUR	GBP	AUD	INR	CAD	KRW	THB	BRL
▼ 6.3857	▼ 7.7569	▲ 78.05	▼ 0.8258	▼ 0.6440	▼ 0.9722	▼ 55.92	▼ 1.0165	▼ 1146.75	▼ 31.75	▼ 2.0233

SOURCE: REUTERS, 9PM MONDAY

The ups and downs of Latin adventure

By ZHOU SIYU
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It wasn't supposed to be like this.

Lin Peifeng, a Chinese engineer, points at a blueprint that shows a giant fertilizer chemical plant, along with two electric power plants, several warehouses and workers' dormitory buildings.

But outside the window of his container-turned temporary office, battered by the howling winter wind, stretches a tract of land thickly covered with withered yellow grass, dotted with occasional piles of coal in the distance.

GOING GLOBAL

In reality, there is only wilderness.

This construction site in Rio Grande — a northern city in South Argentina's Isla Grande de Tierra del Fuego — is no ordinary one.

It dates back to early 2010, when, in a bid to meet the South American country's growing demand for fertilizers, three Chinese companies from the country's energy and coal chemical sector — Shaanxi Coal & Chemical Industry Group Co Ltd, Shaanxi Xinyida Investment Ltd and Jinduicheng Molybdenum Group Co Ltd — made a joint investment worth $1 billion, to deliver a plant that could produce 450,000 metric tons of ammonia and 800,000 tons of urea per year.

It is so far the largest Chinese investment in the whole Latin American region.

With the promise of fantastic prospects and support from both governments, agreements for the investment were signed to huge media fanfare on both sides of the world.

But the initial enthusiasm soon cooled and strains began to show.

Tension came to a head in April when a shipment of vital construction equipment and machinery was barred from entering a port in Argentina, due to the country's import restrictions.

Lin works for Tierra Del Fuego Power & Chemical Co Ltd, known as TEQSA in Spanish, a company set up by the three Chinese companies to take charge of the project.

The Argentine government has declined China Daily's repeated requests for comments on the issue, but lacking the necessary machinery, the construction work, supposed to have been finished by April, was also halted.

"There's not much to do here," added a Chinese construction worker at the site.

"I have put on 10 kilograms in weight."

Two years after the agreement was signed, the project is still no further than at the preliminary stage.

"There are troubles, troubles everyday," said Li Dacan, TEQSA's general manager, as he describes his work over the past three years.

TEQSA is only one of a wave of Chinese investments that has flowed to Latin American countries in recent years.

In 2011, the outflow of Chinese investments in the region stood at $10.1 billion, accounting for 16.8 percent of the country's total overseas investment volume, according to official data.

The Latin American region has now emerged as China's second-largest overseas investment destination, second only to Europe.

The headline figures might look like a massive success story on paper, but for many companies the reality is very different.

China is currently the region's third-largest trading partner — but there has been growing criticism in recent years of what is now a growing imbalance in trade between the two parties.

In 2011, total trade volume between China and Latin America jumped 31.5 percent from the previous year to $242 billion, according to official data.

Some 60 percent of China's imports from Latin American countries are made up of natural resources, while its exports to the region are dominated by processed or manufactured products.

Latin American producers have reacted badly to the influx of cheaper Chinese goods.

The Brazilian National Confederation of Industry, an industrial lobby, for instance, announced in January the establishment of a bilateral body with its counterparts in Argentina, as a way to combat import competition.

Several big names in Brazilian business have taken an active part, including Mafrig, the third-biggest Brazilian food processing company.

According to information from the Economist Intelligence Unit, participants in the body have prioritized the need to urgently tackle growing imports from China.

But growing investments being made in South America might be the key to helping ease the situation, and the imbalance, suggested economists and trade experts.

"One of the main reasons for the trade imbalance is that the manufacturing sector in Latin America is not very competitive," said Yue Yunxia, a Latin America specialist from the Institute of Latin American Studies at the Chinese Academy of Social Sciences.

Investments, especially to help improve the industrial infrastructure in certain sectors and upgrade the quality of products and their manufacturing efficiency, are seen as especially favorable, Yue said.

Yet, there remains a strong reluctance toward foreign investments in many Latin American countries, said analysts and experts.

SEE "ODI" PAGE 17

Policy clarification required

By ZHENG YANGPENG
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YU FANGPING / FOR CHINA DAILY

A construction worker at a housing project in Qingdao, Shandong province, on Wednesday. China's real estate investment grew 16.6 percent in the first six months of this year, compared with 32.9 percent growth in the same period last year.

Conflicting messages on macroeconomic targets and property control measures are adding to the government's challenge of stimulating economic growth in the second half of this year, a top think tank has warned.

REALTY

The National Academy of Economic Strategy under the Chinese Academy of Social Sciences said in a report released on Monday, that the government should maintain its tighter property credit policy, but improve its current property policies in an effort to reverse the recent rising price trend, and prevent a "retaliatory rebound".

But Ni Pengfei, who chaired the writing of the report, said the most urgent need is to reverse some industry and public perceptions, which may have diverted attention from the central government's property control targets.

"This is not caused by the macroeconomic policy itself, but changing market expectations and panic purchasing by the public," Ni said.

Over the past month, data showed property prices gradually starting to reverse the falls of previous months, with slight rises in certain areas, giving ground to fears that the market — after a year-long freeze — might be starting to thaw.

Meanwhile, amid fears the economy may dip further in the second half of this year, China has cut interest rates twice within a month.

A sharp decline in real estate investment activity has also fueled expectations that Beijing might loosen the price curb policies in an effort to stabilize the economy in the second half.

According to the report, the moves may have reduced property developers' and home buyers' lending costs, but they have also been interpreted by some as a signal the central government may be giving economic growth more of a priority than any further loosening of price controls, and this may harm performance in the second half of the year.

According to the National Bureau of Statistics, real estate investment grew 16.6 percent in the first six months of this year, compared with 32.9 percent in the same period last year.

The growth rate — significantly lower than the year-on-year growth of 20.4 percent in fixed-asset investment — dragged down overall economic growth to 7.6 percent in the second quarter, the slowest growth pace in three years

Local governments, fearful of the dwindling revenue from land transfers, have accelerated their move to loosen curbs.

Since the beginning of this year, nearly 50 cities have "fine-tuned" price curb policies, while some have been canceled altogether by Beijing.

The interest rate cuts, local fine-tuning, as well as a warm up in sales in May, have led to a quick switch in public expectations, resulting in some rushed buying, which have pushed up sales and prices.

In June, of the 70 large and medium-sized cities across China, sale prices rose in 25 cities over the last month. In May, only six saw an increase, according to the NBS report last week.

And in June, the national average prices of newly built residential houses rose 0.02 percent over May — the first time in the past eight months that the price has seen growth, NBS said.

In the face of these changes in direction, the CASS insists that more policies should be rolled out "as soon as possible", and government policies and expectations clarified.

"The central bank, while cutting interest rates, has maintained its previous policy that mortgage rates for homebuyers could be lowered to as much as 70 percent of the benchmark interest rate.

"This signaled a reduction in mortgage rates, and was the major reason for the change in market expectations," Ni said.

The CASS suggests that mortgage rates should not be lower than the benchmark interest rate.

It said that the mortgage rate for second-house purchasing should be raised to 1.2 times the benchmark interest rate, and loans should not be provided to third house buying.

Responding to market concerns that a tougher policy would dampen already flagging real estate investment, and jeopardize macroeconomic growth overall, Ni added that the growth in the third quarter should rebound, as there is still room for growth in consumption and infrastructure.

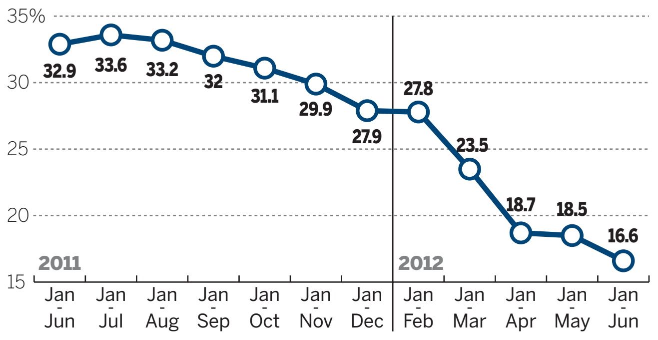
The CASS' suggestion of tougher property measures correspond to central government plans to "resolutely" keep the curbs in place.

Since early June, nine central ministries have voiced their resolution to keep a tight grip on the property market.

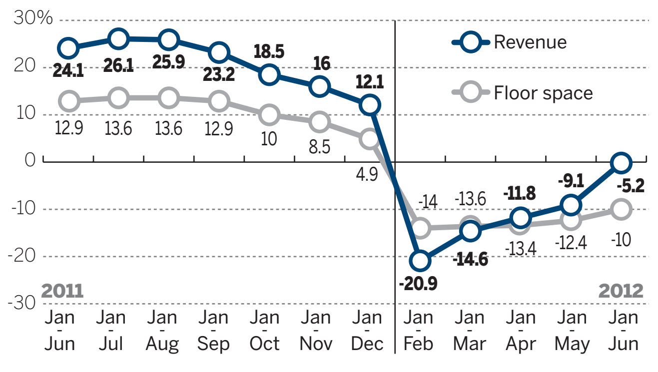
But some experts have also expressed doubt on too much reliance on administrative intervention to adjust the market.

Yang Hongxu, deputy director of the Shanghai-based E-house China Research and Development Institute warned that the curbs may backfire, as developers reduce supply of houses thus pushing prices up again.

CHANGE IN CUMULATIVE REAL ESTATE INVESTMENT IN CHINA



CHANGE IN CUMULATIVE HOUSING SALES IN CHINA



Source: Chinese Academy of Social Sciences

SHEN WEI / CHINA DAILY

Storm leads to record for insurance claims

By LI FANGFANG and WANG WEN

Zhang Guocheng, a 30-year old white-collar worker living in Beijing's Fangshan district, kept himself busy dealing with his waterlogged Chevrolet Aveo on Sunday, a day after a giant rainstorm had pounded the capital city.

INSURANCE

He started calling his insurance company in the early morning, only to hear nothing on the line for hours but a busy signal. Eventually, after lunchtime, one of his calls was transferred to the company's Shandong office, which fewer people were trying to reach.

An operator there helped him arrange to have a trailer take his car to a nearby maintenance shop. But the assistance wasn't to come for three days, not until other cars on a waiting list had been picked up, said Zhang, who planned to ask for leave from work on Wednesday so he could have his car repaired.

Despite his misfortune, Zhang was lucky compared with his neighbors. His car was damaged in a parking lot outside the apartment building he lives in.

His neighbors, though, had about 300 of their cars parked in an underground garage, where they remained under water until Monday morning.

"Workers at the repair shop told me that, because I didn't try to start my engine after the rain had stopped, my car, which was less than half submerged in water, only need some cleaning in its engine and a change of parts," Zhang said. "But it'll still take half a month to repair it. Fortunately, the engine was not damaged and the insurance company will pay for all of the costs."

Zhang was one of nearly 20,000 people whose vehicles were damaged in the 20-hour downpour that struck Beijing on Saturday, leaving 37 dead.

By 5 pm on Sunday, the China Insurance Regulatory Commission Beijing Bureau said insurance companies in Beijing had received 19,547 claims on vehicles that had been damaged by the floodwaters. They estimated the disaster would cause them to pay out about 98.82 million yuan ($15.69 million) in compensation.

The bureau said it is requiring insurance companies to move faster to assess the flood damage and to settle claims.

The insurance company PICC Property and Casualty Co Ltd's Beijing branch said it has received more than 5,241 automobile insurance claims stemming from Saturday's storm. Those, it estimates, will cause it to pay out 5.24 million yuan in compensation.

By noon on Sunday, Ping An Insurance Group Co Ltd, another supplier of automobile insurance, had received requests to provide assistance in retrieving 4,682 vehicles that were damaged in the flooding and China Pacific Insurance Group had helped to retrieve 1,527 of the 2,358 vehicles on which it had received claims stemming from the disaster.

They all said the rainstorm led to a record being set on Sunday for the number of automobile insurance claims filed on a single day.

The harm also spread to insurance companies' stocks.

The price of New China Life Insurance Co's shares dropped 2.42 percent to 33.05 yuan per share on the Shanghai Stock Exchange on Monday and that of China Life Insurance Co Ltd shares declined by 1.81 percent to 19.52 yuan apiece.

An officer at PICC Property and Casualty, who declined to be named, had advice for car owners who find their vehicles has been damaged by water. Upon making such a discovery, he said, they should call their insurance company immediately and leave their vehicle in the water or have it pulled out. What they should not do is try to drive it, he said.

"Turning the ignition switch of a waterlogged vehicle will damage the engine, and we aren't responsible for paying to repair such damage," said Wang. "When we settle claims on waterlogged vehicles, we only pay to clean the engine, as well as change parts, electronic components and interior components."

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