

Border city's mayor touts blueprint for economy

By **QIU QUANLIN** and **HUO YAN**
in Nanning

A proposed experimental economic zone in a city in the Guangxi Zhuang autonomous region will boost economic and trade relations between China and Southeast Asia, the city's mayor said.

In an interview with China Daily, Fangchenggang Mayor Mo Gongming said the city's trade already has increased greatly since the cross-border economic zone between Dongxing, a county-level city administered by Fangchenggang, and Mong Cai, in Vietnam, was established in June 2010.

"Greater cross-border trade will help both China and the Association of Southeast Asian Nations avoid risks amid the global economic downturn," Mo said.

Under a plan submitted to the central government, the zone will cover 1,226 square kilometers, about 20 percent of Fangchenggang.

The proposal has five sections: international trade, port logistics, port-associated logistics, international business and ecological agriculture.

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FANGCHENGANG MAYOR

"Like Shenzhen, a pioneering city of China's reform and opening-up and reform policy, the zone will become a pioneer area for strategic cooperation between China and ASEAN," Mo said.

The city's trade increased 46.8 percent year-on-year to \$4.1 billion in 2011, with exports rising 21.2 percent, to \$944 million, the local government said.

"The increased trade was mainly because of the trade zone," Mo said.

In 2011, the zone's exports to the ASEAN accounted for nearly 70 percent of those of Guangxi, and its border trade hit 15 billion yuan (\$2.4 billion).

Fangchenggang, which borders Vietnam, is the biggest port in China's southwest. It has shipping services to more than 250 ports in around 100 countries and regions.

"Its geographic advantage has laid a favorable foundation for the city to expand economic cooperation and further increase trade between China and Southeast Asia," Mo said.

The city's number of border crossings ranks third in China after Shenzhen and Zhuhai, two special economic zones in neighboring Guangdong province.

Fangchenggang is also developing a national-level border trade center and an international tourism zone in the Pearl Gulf, Mo said.

Mo spoke during the Seventh Pan-Beibu Gulf Economic Cooperation Forum, which ended on July 13, in Nanning, the capital of Guangxi.

Government officials and economists from China, Vietnam, Malaysia, Singapore, Indonesia, the Philippines and Brunei discussed economic cooperation in the Pan-Beibu Gulf area at the forum, and have agreed on a further revision of the plan that will be submitted to the China-ASEAN Economic Ministers' Meeting and the China-ASEAN Summit later this year.

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what's news



GUO CHENG / XINHUA

Tourists look at watches at the second duty-free shop in the Meilan airport in Haikou, Hainan province. The shop, with a total area of 1,500 square meters, opened on July 20.

Lenders' borrowing costs decline amid rich liquidity

Chinese banks' borrowing costs dropped, extending Wednesday's biggest decline in two weeks, as the central bank conducted reverse-repurchase operations to meet a month-end increase in demand for cash.

The People's Bank of China sold 50 billion yuan (\$7.8 billion) of seven-day reverse-repo agreements at a yield of 3.35 percent on Thursday, according to a trader at a primary dealer required to bid at the auctions. The monetary authority sold 95 billion yuan of the contracts on July 24, when 50 billion yuan of three-month treasury deposits were also auctioned to commercial banks.

"There was enough cash coming into the system this week," said Kumar Rachapudi, an interest-rate strategist at Barclays Plc in Singapore. "We should see one or two more reserve requirement cuts this year. We were expecting one in July, but think the PBOC right now prefers to fine-tune liquidity" using reverse repos.

Power use may rise 7% on policy impact

China's electricity consumption may increase 7 percent this year as government policies aimed at stabilizing economic growth take effect, according to the State Electricity Regulatory Commission.

Demand may rise to 5.1 trillion kilowatt-hours, according to a report on the regulator's website released on Wednesday. Power use should accelerate toward the end of the year, it said. The pace of growth compares with 5.5 percent in the first half and 11.7 percent in 2011, according to the National Energy Administration.

China's economy expanded at the slowest pace in more than three years in the second quarter and electricity output stagnated in June compared with a year earlier.

CDB to sell longest-dated 'dim sum' bonds

China Development Bank Corp, a State-owned lender to government projects, is marketing a sale of dim sum bonds in Hong Kong that have the longest-ever maturity, according to a person familiar with the matter and data compiled by Bloomberg.

The policy bank is offering the 20-year yuan-denominated notes to investors alongside a sale of three-year debt, said the person, asking not to be identified because the details are private. The 20-year securities are being marketed to yield about 4.35 percent while the three-year debt will yield about 3.05 percent, the person said.

Companies are selling longer-dated dim sum bonds in a market where more than 80 percent of debt, excluding certificates of deposit, has a tenor of three years or less, according to the Bloomberg-compiled data.

Solarworld-led group files anti-dumping case

Solarworld AG, Germany's biggest solar-panel maker, led a group of manufacturers asking the

European Commission to investigate whether Chinese competitors dumped their products on the region's market.

The so-called EU ProSun group filed the anti-dumping complaint in Brussels after a similar request in the US resulted in duties on solar imports from China. The group has 25 members including companies from Italy and Spain, and Germany's Sovello GmbH, EU ProSun President Milan Nitzschke said on Thursday.

Stocks fall to lowest level since March 2009

China's stocks fell to the lowest level since March 2009, with the Shanghai Composite Index dropping 0.5 percent to 2,126 at the close.

"Market sentiment is pretty weak and it will take a while for investors to reverse their pessimistic expectations about the economy," said Wang Weijun, a strategist at Zhesang Securities Co in Shanghai.

The CSI 300 Index lost 0.5 percent to 2,347.49. The Bloomberg China-US 55 Index, the measure of the most-traded US-listed Chinese companies, retreated 0.3 percent in New York on Wednesday.

The Shanghai index has fallen 14 percent from this year's high on March 2 amid concern the economic slowdown is deepening. The gauge is valued at 9.5 times estimated profit, compared with the average of 17.5 since Bloomberg began compiling the data in 2006.

Vale counting on China rebound as profit sinks

Vale SA, the world's largest iron ore miner, is counting on a rebound in Chinese economic growth to boost sales after declining prices caused it to post its lowest quarterly profit in more than two years.

Net income slumped 59 percent in the second quarter to \$2.66 billion from \$6.45 billion a year earlier, Rio de Janeiro-based Vale said on Wednesday.

China, which accounted for about a third of Vale's sales, grew at 7.6 percent in the second quarter from a year ago, the slowest pace in three years. Vale expects the central government's economic stimulus measures and infrastructure projects to fuel recovery in coming quarters, increasing demand for iron ore and other metals.

Bank may help finance \$5b Turkish refinery

China Development Bank Corp, a State lender for government projects, is in initial talks with Calik Holding AS, an Istanbul-based industrial and services group, to help finance a \$5 billion refinery in southern Turkey.

The lender also expects to finance some Turkish government projects including roads and railways, Ma Jian, general manager of the bank's Inner Mongolia branch, in charge of business in Turkey, told reporters in Istanbul on Thursday.

"The refinery's finance needs are about \$4 billion and we are in preliminary discussions to finance some part of it," he said.

China Development Bank's financing of Turkish government and privately run projects comes under

a \$3 billion accord signed between Turkey and China in February, Ma said.

Automaker sells its largest bonds as loans curbed

Beijing Automotive Group Co, which makes Mercedes-Benz-branded cars in China, sold its biggest bond as falling sales in the world's largest auto market make banks reluctant to lend to the industry.

The State-owned enterprise sold 1.6 billion yuan (\$250.6 million) of seven-year bonds to yield 4.49 percent, according to a company statement. It offered five-year securities last year at 5.26 percent. Globally, the average yield on notes of the biggest automakers is 2.04 percent, according to Bank of America Merrill Lynch.

Sands China earnings decrease by 40%

Sands China Ltd, the Hong Kong-listed unit of billionaire Sheldon Adelson's Las Vegas company, reported a 40 percent drop in second-quarter profit on an impairment charge, lower winnings and opening costs.

Net income dropped to \$160.5 million from \$267.4 million a year earlier, according to Las Vegas Sands Corp on Thursday. Revenue increased to \$1.48 billion from \$1.21 billion a year earlier.

Sands China booked an exceptional loss of \$100.8 million for the capital expenditure it spent on two plots of land in Macao.

VAT reform pilot may be launched in Beijing

Beijing may take the lead in the expansion of China's value-added tax pilot program by launching its VAT reform on Sept 1, a person close to the policy making process said on Thursday.

The State Council on Wednesday approved a plan to extend a pilot program to replace the business tax with VAT. The program, currently only operating in Shanghai, will be extended to eight other provincial-level regions — Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei and Guangdong — and the cities of Xi'an and Shenzhen.

The 10-region plan will commence on Aug 1 and conclude at the end of this year.

In addition to Beijing, regions such as Tianjin, Anhui and Jiangsu are better prepared to launch their local VAT reform programs this year, said Kenneth Leung, a partner of Tax & Business Advisory Services at Ernst & Young.

Sky Solar plans to build 20 power stations in Japan

Sky Solar Holdings Co, a Chinese solar power developer, plans to invest about 12 billion yen (\$154 million) to build 20 solar power stations in Japan and tap government subsidies for renewable energy projects.

Sky Solar Japan, a unit of the Shanghai-based company, will begin construction of a 2 megawatt plant in Ibaraki Prefecture in central Japan next month, the company said in a statement on Wednesday. In October, it will start building a solar station that has about the same capacity in southwestern Kumamoto

Prefecture, according to the statement.

The company plans to build 20 solar stations in Japan this year, each with a capacity of around 2 mW, it said. Site selection and associated works have already been completed for these projects and Sky Solar will invest 600 million yen in each, the company said.

Chinese reveal favorite sports in survey

Diving, swimming and table tennis are the sports of most interest to the Chinese, a survey shows.

A recent study conducted by Charm Communication Inc, an advertising agency in China, and Intage China Inc, a market research group, covered 13 cities and interviewed 1,300 Chinese.

The study showed 63 percent are very interested in the London Olympic Games. The events in which the Chinese are most interested are their favorite sports, sports in which Chinese have a traditional advantage, and events in which Chinese athletes could get medals.

The research also showed that 95 percent of those interviewed will watch the Games on TV, and 52 percent may get information about them through the Internet or mobile phone.

BASF slows hiring in China this year

BASF SE, the world's largest chemical maker, will slow hiring in China this year amid a deceleration that has kept growth in the region flat for the second consecutive quarter.

Sales in the Asia-Pacific region declined 1 percent in local currency terms, the Ludwigshafen, Germany-based company said on Thursday. The company's biggest Asian chemical complex Verbund site in Nanjing posted a "significant" decline in earnings, Chief Executive Officer Kurt Bock said. "The softness in the Asian markets came as a surprise to BASF," Bock said. "I don't see that China will swiftly come back to the old dynamic development we have seen in 2011. It will probably take a little bit of time."

BASF has been counting on Asia to be one of the main growth drivers to help it achieve a goal of 115 billion euros (\$139 billion) in revenue by 2020.

China Southern to fly A380 on overseas route

China Southern Airlines Co will fly its Airbus SAS A380s on the Guangzhou-Los Angeles route starting October, ending a yearlong wait to use the super-jumbo for overseas services.

The double-decker will replace Boeing Co's 777 aircraft on the route, China's biggest airline by passenger numbers said in an e-mailed statement on Thursday. The carrier fills about 90 percent of the 777s used in the daily service, it said.

Since taking delivery of the first superjumbo in October, China Southern has used the plane only on domestic routes as it awaited regulatory approvals. The carrier has ordered a total of five A380s in a bid to challenge Air China Ltd and Cathay Pacific Airways Ltd on international routes.

CHINA DAILY — AGENCIES

Industry leader says coal market will warm up in August

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China's coal market, which has been suffering from high inventories and dramatically falling prices since May, will improve in late August, Wang Guangde, vice-president of China National Coal Association, said on Thursday.

Thermal coal demand increased in July, as electricity consumption goes up in the summer, which reduced the pressure on coal producers and traders.

National coal output reached 296.92 million metric tons in June and analysts estimated that the year-on-year growth rate of coal output this month will continue to decline.

"It is possible that coal prices will stop falling and stabilize in August," said Dai Bing, a senior analyst at the coal trading website coal.com.cn.

He said that coal price declines at major ports in northern China were smaller, which is a good sign.

To better serve coal traders and solve their

financing difficulties, the website launched an online spot coal trading platform with logistics services on Thursday.

Up to 100 companies had started trading on the platform by Thursday afternoon.

The website spent 20 million yuan (\$3.2 million) on infrastructure construction and will spend 50 to 80 million yuan on a logistics center with the capacity to store 50 million tons, and transportation services, said Dai.

Most coal traded on the platform will come from the Inner Mongolia autonomous region, and Shanxi and Shaanxi provinces, he said.

"The fast development of the coal industry in western China has provided good opportunities for domestic energy companies," said Fan Hengshan, director of the Regional Economy Department of the National Development and Reform Commission.

"The online trading platform should better serve places in the western area, too."

Xu Shaohui, a representative of the trading platform, said it will charge 0.1 to 0.3 percent commission for each ton traded.

However, some industry insiders said the sustainability of the coal trading platform

depends on how it operates, and this type of online trading remains in its infancy in China.

China imported 27.19 million tons of coal in June, up 59 percent year-on-year, according to customs data.

Dai said that in such a situation, the major coal producing provinces experienced falling sales and profits in the first half of the year.

"The major reason is that the drop in imported coal prices is faster than that of domestic coal," he said.

"Thus, it is helpful to provide another coal trading channel for domestic coal traders."