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Business news

Government

China to Improve GDP Calculation Methods

China could wave goodbye to its GDP data discord as the national statistics bureau chief claims that he will unify provincial and central GDP calculation methods and improve grassroots statistical quality this year. The aggregate of the GDP figures reported by local governments reportedly is often larger than the overall national figure released by the NBS, arousing concerns that the local governments may have exaggerated the statistics to show how capable they are of managing local economy.

China, ASEAN Close in on Air Service Agreements

China and the Association of South East Asian Nations (ASEAN) are poised to sign two air service pacts that are likely to remove barriers to competition in the region. Negotiations

between China and ASEAN over the creation of "a liberal air services regime" were expected

to be concluded this year after six years of talks. A second agreement, which would replace a two-year-old pact allowing limited competition on routes between ASEAN capitals with one allowing virtually unrestricted competition within five years, is also close to being finalized.

China Raises Reserve Ratio by 0.5 Percentage Points

China's central bank moved to tighten monetary policy, raising the bank reserve requirement ratio by 0.5 percentage points and slightly increasing the interest rate on its one-year bill by 8 basis points to 1.84 percent. The credit-tightening moves reflect concerns over a possible rise in inflation as China's economy continues to rebound from the global financial crisis. Agricultural credit cooperatives and other rural financial institutions were exempt from the increase to ensure adequate financing for the spring planting.

Communications and Internet

Dispute Leaves Android Phones' Debut on Hold

Google has delayed the debut of two mobile phones designed to connect with its internet services in mainland China amid the widening rift between the company and Beijing over online censorship and security. The phones, made by Motorola and Samsung, use the Android operating system, created by Google to steer people to its search engine and other services.

Pro-Iran Hackers Hit China Search Engine

China's top search engine Baidu was hacked in what state media said was an attack by a pro-Iranian government group that replaced the usual home page with an Iranian flag, internet users trying to access the site found a message saying "This site has been hacked by Iranian Cyber Army", Baidu said the hackers changed Baidu's domain name system records from its US registrar and redirected traffic to another site. The Iranian Cyber Army" was the name used by hackers who briefly shut down the popular microblogging site Twitter, using a method similar to that seen in the Baidu strike.

Google Apologizes to Chinese Writers

Google said its communication with Chinese authors was "not good enough" after it published sections of their work in its online library Google Books without their permission. Chinese writers accused Google of copyright infringement when the search engine used sections of their work online, and without their permission. They asked Google to apologize and have also demanded compensation.

Internet Users Hit 384 Million

China's internet users hit 384 million by the end of 2009 due to the expansion of internet access in more areas and a rapid increase of mobile phone internet users, according to the

latest report by China Internet Network Information Center. The number registered a 28.9 percent jump since the end of 2008, mobile Internet users increased by 120 million to reach a total of 233 million. China passed the United States to boast the largest population of internet users in 2008, but the country's internet penetration rate is still low, with just 28.9 percent of the total population online in 2009.

Online Game Market Expands to RMB 25.8 in China

The market scale of online games in China reached RMB 25.8 billion in 2009, a 39.5 percent increase over the previous year according to a white paper on online game development released by the Ministry of Culture. The report said the Chinese online games earned \$106 million from overseas market in 2009, a 47.2 percent increase from the previous year. The document also underlined several problems behind the thriving online gaming market, including "vulgar" content and addiction to online games. The ministry may promulgate a regulation in the year to better manage the market and protect the growth of the adolescents.

Resources and Energy

China Left Out of Iron Ore Negotiations

Major miners Rio Tinto, Vale and BHP Billiton are conducting iron ore price negotiations without consultation with China. Sources close to the negotiations said the miners intended to reach an agreement first with Japanese steel mills, which would then be presented to China with little room for further negotiation. China's negotiators have encountered internal disputes between steel mills and the China Iron & Steel Association over contract prices. China was

unable to come to an iron ore agreement with global miners last year, forcing steel producers to resort to more expensive spot-market purchasing.

Huaneng to Build \$703m Power Generators in Xinjiang

China Huaneng Group, China's biggest power producer, will build two 600MW power units in the far western Xinjiang Uygur autonomous region, an executive at its Xinjiang subsidiary. The plant will help to meet rising power demand in Turpan and southern Xinjiang and also is a major power source for the country's west-east electricity transmission project. Huaneng planned to start construction this April. The units, which cost about 4.8 billion yuan (\$703 million), are expected to be put into operation at the end of 2012. Huaneng also planned to add another two 600MW power units to the Turpan power plant before 2015 to take advantage of the rich coal resources and the region's position as a power-grid hub.

Four Rio Tinto Employees Referred for Prosecution

Chinese police have concluded investigations into four employees of Australian mining giant Rio Tinto Ltd, who were suspected of infringing trade secrets and bribery. The four were handed over to local procuratorate for prosecution. The four suspects included head of Rio Tinto's Shanghai office, Australian citizen Stern Hu, and three local employees Liu Caikui, Ge Minqiang and Wang Yong.

BHP and Rio Tinto's Merger Spurs Chinese Companies

The merger between BHP and Rio Tinto is expected to push the iron ore price higher and accelerate integrations in Chinese iron and steel industry next year. BHP and Rio Tinto, two of the world's top three iron ore suppliers, signed a binding agreement covering the operation and management in their future joint

venture on Dec 5 with the companies saying they will complete the merger in the second half of 2010.

Auto

China Overtakes US as World's Largest Auto Market

China's auto sales surged past the United States to reach record levels in 2009, underscoring China's importance to the global auto industry as the world's biggest market. In the first 11 months of 2009, a total of 9.23 million passenger cars were sold in the country, up 49.70 percent from a year earlier. Sales of branded domestic models accounted for 30 percent of total passenger vehicle sales during the period. The remainder are either made by joint ventures between foreign firms and their Chinese partners or imported from overseas.

HK Float for Guangzhou Auto

Guangzhou Automobile Group Co, the Chinese partner of Japanese car giants Toyota and Honda, plans to sell shares in Hong Kong, seeking foreign capital to boost its domestic expansion. China's sixth-largest automaker will go public in Hong Kong through a backdoor listing using its Denway Motors unit, however, the listing would not offer shares for public subscription. Guangzhou Auto now holds a 37.9 percent stake in Denway, a Hong Kong-based investment company controlling units and associates engaged in vehicle manufacturing and trading

Volkswagen Eyeing Factory in Guangzhou

Volkswagen China may build a manufacturing facility in Guangzhou, its first south of the Yangtze river, as the country's largest foreign carmaker attempts to seize

market share from its Japanese competitors in southern China. The firm will build the new plant to make its compact Seat model, with an initial production capacity of 200,000 units. No details of the investment were disclosed. Volkswagen China could not be reached for comment.

Pharmaceuticals

Pfizer Sees Strong Growth in China

Pfizer Inc, the world's biggest drugmaker, said it expects its China business to grow by at least 25 percent this year and is forging partnerships to increase its share of the nation's fast-growing pharmaceuticals market. Pfizer identified China, Brazil, India, Mexico, Russia and Turkey as key emerging markets and regarded China as the most important. The company said it expected revenue in China to grow by at least 25 percent in 2010.

Legal news

China to Expose Companies Breaching Product Safety Rules

China will publicly expose companies that breach product safety regulations. China will set up a comprehensive and efficient quality evaluation and rating system within three years. The system would focus on products that have close bearing on people's lives. The administration has created files on the quality control practices of 89,699 companies in 17 categories.

MOFCOM Adopts Final Version of Regulations on Examinations and Notifications of Mergers

On November 27 2009, the Anti-Monopoly Bureau of the China Ministry of Commerce publicised its long-awaited regulations on examinations and notifications of mergers under the PRC Anti-Monopoly Law. The first drafts of the regulations were circulated for public consultation almost a year ago and, according to the announcement, the regulations were internally adopted on 15 July 2009. The final version of the regulation on examinations of concentrations contains no dramatic changes compared with the first draft.

China State Council Oks New Patent Law Implementing Regulations

On January 9, 2010, the State Council of the People's Republic of China (PRC) finally approved the long-awaited new Implementation Regulation of the Patent Law, which primarily addresses procedural issues in connection with the recent changes to PRC Patent Law. The new implementing regulations will be effective from February 1, 2010. The Regulations consist of 123 articles in 11 chapters, which are general provisions, patent application, patent examination and approval, re-examination and invalidation of patent right, compulsory licensing for exploitation of the patent, reward and

remuneration of inventors or creators of service inventions, patent protection, registration and gazette, special regulations for PCT matters.

MOFCOM & MIIT Strengthened Information Protection of Service Outsourcing Businesses Contracted by Domestic Enterprises

China's Ministry of Commerce and the Ministry of Industry and Information Technology jointly released on December 28, 2009 the Several Provisions on Information Protection of Service Outsourcing Businesses Contracted by Domestic Enterprises (Provisions), which took effect as of February 1, 2010. Under the Provisions, contractors and its shareholders, directors, supervisors, managers and staff must not disclose, use or allow others to use the confidential information of the contract-issuing parties by violating the service outsourcing contracts.

Producers to Execute Risk Management on Medical Instruments

China's State Food and Drug Administration stipulated, in the Regulations for Quality Management of Medical Instrument Production recently, producers, as a component of the quality management system, shall be responsible for the risk management in course of the whole production. The Regulations, took from January 1, 2011, consists of 13 chapters, 69 articles. It is applicable to design, production, selling and customer service of medical instruments. The Regulations urged the producers to establish and save the production records of each batch of products.

China Tightens Restrictions on Foreign Representative Offices

On January 4, 2010, China's State Administration for Industry and Commerce and the Ministry of Public Security jointly issued the Notice on Further Administration of Registration of Foreign Companies' Resident

Representative Offices. The Notice provides that business operations of representative offices will face higher scrutiny, companies must comply with additional requirements to establish their representative offices or renew their registration certificates, and companies will be limited in the number of representatives that they can appoint. As the Notice has implications for both new and existing representative offices, foreign companies with representative offices in China need to be aware of this development and be prepared for its ramifications.

First Landmark Decision in Obtaining Recognition and Enforcement of A PRC Court Judgment in the US

The products liability case initiated by Hubei Gezhouba Sanlian Industrial Co., Ltd. ("Sanlian"), and Hubei Pinghu Cruise Co., Ltd. against Robinson Helicopter Company, Inc. is a landmark case in which a PRC court judgment was successfully recognized and enforced for the first time in the US. As the first case in history where a PRC judgment was successfully recognized and enforced in the US, the Case is of great significance. The result of the Case indicates that the system of justice and the impartiality of process in the PRC are increasingly recognized in the international society and hence, it is increasingly likely that a judgment entered in the PRC would be recognized and enforced in the US or other countries.

NDRC Scraps Restrictions on Foreign-made Wind Turbines

China's restrictions on the use of foreign-made parts in wind turbines have been scrapped as the country seeks to ramp up green-tech production and fulfill its commitment to green energy. The National Development and Reform Commission (NDRC) will no longer require wind farms in China to source at least 70% of turbine parts from Chinese manufacturers. The cap was introduced in 2005 to boost Chinese

manufacturers in an industry that had previously been dominated by foreign companies. When the restriction was introduced foreign manufacturers saw their market share fall from 75% to 25% in just three years.

New Import Requirement for Products and Equipment with Encryption Technology

On December 10, 2009, the State Encryption Management Bureau and the General Administration of Customs jointly issued Notice 18 and published the Catalogue for the Administration of Imports of Encryption Products and Equipment Containing Encryption Technology (First Batch). The catalogue and notice are effective from January 1 2010. Importing products that fall within the catalogue will require a permit for the import of encryption products and equipment containing encryption technology. The import permit is issued by the bureau or its local counterparts.

Zhejiang People's Congress Promulgated the "Work on Strengthening Food Safety Decision"

To further promote food safety, the implementation of laws and regulations, and earnestly strengthen food safety control, to protect people's health and promote the building of a harmonious society, recently, the Eleventh People's Congress of Zhejiang, the Fifteenth Meeting of the Standing Committee examined and adopted the "About enhance food safety work of the decision. ", the Decision requirement, governments at all levels should conscientiously strengthen leadership over the work on food security, unified organization and coordination of all relevant departments to carry out food safety supervision.

Foreign Arbitral Award Refused Recognition and Enforcement on Public Policy Grounds

For the first time since China acceded to the New York Convention in 1987, a foreign arbitration award has been refused recognition and enforcement in China on public policy grounds. The award was rendered by a tribunal sitting in Paris under the International Chamber of Commerce (ICC) Rules. The claimants applied to the Jinan Intermediate People's Court for recognition and enforcement of the arbitral award in September 2007. The court recently found that the award disposed of matters beyond the scope of the arbitration clause contained in the contract between the parties. Since all of the claims relied on the same factual circumstances, this finding alone would have been sufficient basis for refusal in respect of the entire award.

China Works to Toughen Hacking Laws

Chinese police and judicial officials are formulating new measures that govern how hacking crimes are handled by courts, the country's latest step to strengthen its cyber laws. China's police are working with the country's highest investigative organ and the Supreme People's Court to release a judicial interpretation on hacking crimes. The move would be the latest of China's efforts to strengthen laws against cybercrime, which have come alongside a growing number of reported arrests and court sentences for hacking in the country in the last year.

This update is aimed at keeping our clients informed of developments in Greater China. Whilst every care has been taken to ensure the accuracy of this update, it should not be relied upon before individual advice is obtained. The MMLC Group is an international legal and corporate advisory group.

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