The fight over Hong Kong

Last weekend’s election in Hong Kong could have far-reaching consequences for China
This time it wasn’t dull

China mulls the consequences of Hong Kong’s erratic election

Stanley Ho, the casino mogul, once said that he would quit Hong Kong if CY Leung became Hong Kong’s chief executive.

According to Ho, Leung “hates the rich” and the tycoon may not be the only one to think so. The South China Morning Post speculated this month that, despite urging from Chinese vice president Xi Jinping, Li Ka-shing, Asia’s richest man, also refused to vote for Leung in last Sunday’s election. The businessman told reporters he would vote for Leung’s rival, Henry Tang.

Both the billionaires backed the losing candidate. That’s because an election committee of 1,193 members has chosen Leung as Hong Kong’s next leader. He secured 689 votes, beating both Tang and Albert Ho, a pro-democracy campaigner who ran with no hope of winning but wanted to highlight the inadequacies of the electoral system.

Hong Kong’s election this year has been significant, standing out as the most rancorous, divisive and scandal-plagued leadership battle to date.

And for the first time since 1997, Beijing seems to have been wrong-footed by events, as its succession plans for the top job in Hong Kong blew up.

Many think the ramifications could be far-reaching. Some suggest that come the next election in 2017, China’s leaders may decide the current system is more trouble than its worth, and endorse a more democratic ballot.

Others demur, predicting a redoubling of Beijing’s efforts to stage-manage results of the next leadership vote.

A quick recap...

Until recently, Tang was the shoo-in candidate, as well as Beijing’s choice, for the top job. In fact, Ming Pao Daily reckons that Leung was seen as a makeweight, there only to provide a veneer of competition.

Certainly Tang seems to have taken the chief executive job for granted, failing initially to elaborate on his policies or show much enthusiasm for political debate.

That didn’t impress the wider public. The beneficiary of inherited wealth (the son of a Shanghai industrialist), Tang was soon being portrayed as lazy – and likened to a pig by the more vitriolic elements of the local press.

For the people of Hong Kong, Leung was easier to identify with. A policeman’s son, he found his feet in the property business before mak-
he appeared to blame his wife for the illegal basement. It was desperately ill-judged, given that his wife had publicly stood by him even as he admitted “straying” in his marriage earlier in the campaign.

Of course, public opinion shouldn’t really matter in a contest in which a tiny election committee takes its political cues from Beijing in deciding the winner.

But a week before the election, the afore-mentioned Liaison Office seems to have started to urge the electors to switch to Leung instead.

Ditching Tang at the last minute suggests they were worried that they would be seen as foisting him on Hong Kong. Certainly, the bolder newspaper editorials were predicting that half a million Hongkongers could march if Tang triumphed – much as they did in 2003 to protest against the anti-subversion laws (after which Beijing backed down, withdrawing the bill). Hence, the shift of official support to Leung. Taiwan’s Central News Agency saw China’s decision to switch support as a signal that Beijing wants to stay on the right side of public opinion, even in races that it controls.

Talking Point

Why did Tang’s campaign start to unravel?
Tang stumbled from one gaffe to another, admitting adultery, apologising for an illegally-built basement and refusing to comment on rumours about an illegitimate child (see W1C140).

Public support dwindled with each new story. Tang’s approval rating dipped below 20% after he called a press conference in which he appeared to blame his wife for the illegal basement. It was desperately ill-judged, given that his wife had publicly stood by him even as he admitted “straying” in his marriage earlier in the campaign.

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Talking Point

Tang lost, but the public still unhappy, it seems?
In truth, only 1,200 people out of Hong Kong’s 7 million population got to vote on Sunday, with most of the electoral committee selected as pro-Beijing political and business elites.

No wonder, then, that China’s internet users seem to have been less interested in the outcome of Hong Kong’s leadership election than the national elections in Taiwan (see WiC135) or even the more recent village vote in Wukan in Guangdong (see last week’s issue).

“You Hong Kong people are getting poorer and poorer. Chinese people are becoming richer… Hong Kong’s election isn’t even a real one. Save your time and energy to make a little money,” was one dismissive comment online.

Still, Leung versus Tang had more of the look-and-feel of a democratic contest than the previous leadership run-offs in Hong Kong. At least Tang and Leung participated in televised debates and campaigned among the general public – in spite of the fact that the public couldn’t vote for the final outcome.

“Hong Kong for the first time underwent a political struggle with ups and downs,” says Caixin magazine, adding that this month’s election could serve as a dry run for direct elections in Hong Kong five years from now.

So Hong Kong will be able to elect its leader?
The Beijing authorities indicated back in 2007 that Hong Kong would have universal suffrage for the chief executive election of 2017, and for a local parliamentary assembly by 2020, although details of the selection process have not been decided.

Many are sceptical, believing that mainland policymakers will find a way to retain control, possibly by vetting candidates on the ballot.

Still, with China’s reformist faction in the ascendant (see issues 140 and 142), others think that Hong Kong’s next leader might be selected by a wider electorate. Leung and Tang both endorsed the idea of a universal franchise for the next election during their final debate.

China’s premier, Wen Jiabao, offered hints as well, suggesting at the National People’s Congress this month that “[Hong Kong] should elect a chief executive who is supported by the majority of the people.” Some see this as a declaration of sorts. After all, if handled right, Hong Kong could serve as a testing ground for China’s own (longer term) political reforms.

“People in mainland China are urging for political changes, so they look up to Taiwan and Hong Kong for ‘live demonstrations,’” Robert Chung, head of the University of Hong Kong’s Public Opinion Programme, told TIME.

“Success in Hong Kong’s democratisation would also help China to move forward.”

Alongside the optimism there has also been gloomier coverage of the conservative instincts of the Chinese political elite.

The University of Hong Kong last week ran a mock election to gauge how the people might have voted. But the online poll was soon subverted by what organisers called “high-level cyber attacks”, leading to the inevitable speculation about interference from across the border. (The poll was soon back online, and saw half of the nearly 223,000 respondents cast blank ballots – a situation that, had it happened in the real election, would have seen the need for a fresh poll in May involving new candidates.)

Ah Lo, one of those protesting against limited voting rights in Hong Kong, told the New York Times that he doubted China would ever allow the city universal suffrage.

“Beijing first promised us one person, one vote in 2007, then in 2012,” he said. “Now they say we may have it in 2017. I don’t think they’ll ever allow democracy here.”

Planet China
Strange but true stories from the new China

MISSING MASERATI. Bus drivers in Jinhua in Zhejiang province are now much more knowledgeable about luxury cars than their counterparts elsewhere, reports Zhejiang Online. That’s because the city’s public transport bureau is circulating diagrams of the names and logos of luxury cars. The message: don’t crash into them. As WiC reported in issue 139 there have been a number of traffic accidents involving top-price cars, with repair bills almost bankrupting the drivers involved. Bus companies also fear the cost of a collision with the likes of a Rolls-Royce, hence Jinhua’s decision to make drivers aware when to steer clear.

A staff member who spoke to Zhejiang Online said that most drivers knew the logos of luxury cars like BMW and Mercedes-Benz but had no idea about super-expensive marques such as Maserati and Lamborghini.

“You think about it, a collision with those luxury cars costs several hundred thousand yuan,” said one bus driver. “How can we afford this compensation? So when we see luxury cars we now avoid them.”

The move is not without controversy. Netizens say the city’s richest folk now enjoy another privilege: the right of way over buses. Another hammer blow to China’s socialist paradise...

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The major news items from China this week were...

1 Celebrity sighting: Apple’s chief executive Tim Cook was in China this week, triggering speculation about the intent of his visit. He was spotted leaving the offices of the country’s three wireless carriers, China Mobile, China Unicom and China Telecom. Some said Cook is on a mission to try to sort through some of Apple’s recent headaches in China, including labour issues at its manufacturing partners and an ongoing trademark dispute over the iPad name. Xinhua reported that he met with Chinese Vice Premier Li Keqiang too.

2 The British business consultant Neil Heywood who died in a hotel room in China is now a key element of China’s biggest political scandal in decades. There was speculation that Heywood had been poisoned, said the Wall Street Journal. Former Chongqing police chief, Wang Lijun, who sought refuge in the US Consulate in Chengdu on February 6, allegedly claimed that Heywood had been involved in a business dispute involving the family of former Chongqing Party boss Bo Xilai. Meanwhile, China’s censors have banned internet searches of Heywood’s Chinese name, Hai Wu De.

3 Profits for China’s manufacturing sector dropped 5.2% in the first two months of this year, the first slide since the third quarter of 2009 when the economy began to recover from the global financial crisis, said the South China Morning Post. The decline in profit was despite a 14.3% rise in sales to Rmb12.1 trillion ($1.9 trillion), indicating a squeeze in profit margin.

4 The Australian government has blocked Chinese telecommunications manufacturing giant Huawei from making a bid to supply equipment for the country’s $39.7 billion National Broadband Network. The rejection marks the first time Australia has blocked a telecom application from China, its largest trading partner. The move has been seen as a reaction to a report by Australia’s intelligence agency, which raised concerns over cyber attacks originating from China.

5 The State Council approved a broad package of financial reforms in Wenzhou, including allowing residents to invest abroad directly and encouraging private investments in local financial institutions. According to Reuters, the “general financial reform zone” experiment in Wenzhou may be rolled out to other parts of the country if it proves successful. The move also marks an important step towards liberalisation of China’s capital account (see page 10).

6 A major scandal rocked Hong Kong this week. Billionaire property developer brothers Thomas and Raymond Kwok were arrested on suspicion of bribery, reports the BBC. The Kwoks run Sun Hung Kai Properties, the city’s biggest real estate firm and are estimated to be worth $15.4 billion. They are the most powerful tycoons to be arrested by Hong Kong’s Independent Commission Against Corruption (ICAC). Local media say a former government official was also arrested by the ICAC.
This month saw the launch of a new all-business class service between Hong Kong and London. The daily flight is operated by Hong Kong Airlines, a carrier that’s owned by China’s HNA Group. The hope? To win market share from the dominant player, Cathay Pacific.

Hong Kong Airlines is flying the route with aircraft configured with 34 Club Premier seats (i.e. those that convert to flat beds) and 82 Club Classic seats (those resembling the business class experience of the 1980s – bigger seat and better legroom, but not fully reclining). And in its launch promotion, it is offering two companion seats in Club Classic for HK$29,980 ($3,860). That might entice couples reluctant to fly economy on Cathay but hesitant to cough up for full business class fares. After all, a couple will save more than HK$70,000 if they opt for the Club Classic deal over two seats in Cathay’s own business cabin (based on fares for April being quoted on its website).

Yang Jianhong, president of Hong Kong Airlines, is confident that the pricing strategy will lure new passengers. He told the Wall Street Journal that he expects the route to break even in its first six months at a targeted 75% load factor.

The move seems to follow a trend – with Chinese airlines getting more aggressive with fares for international travellers. The Journal says that China Southern “has been the most aggressive in marketing itself” but that all of China’s major airlines are “starting to throw their weight around: by targeting international passengers and freight.

For example, China Southern has started using its Guangzhou hub to offer discounted long haul flights, pricing travel between Sydney and Paris at as little as $1,150, or around half the fare asked by Australia’s Qantas, reports the newspaper.

Undeterred, Qantas announced a new strategic initiative of its own this week – a new airline to be run in partnership with China Eastern, based out of Hong Kong.

The partners say that the airline – Jetstar Hong Kong – will be a low cost carrier (LCC) flying a fleet of 18 Airbus A320s from next year.

The primary passenger focus will be flights into China, focusing on cities currently underserved by other carriers.

Not everyone is convinced that Jetstar will take off. One key issue is whether the proposed airline can even qualify as a Hong Kong carrier, as neither China Eastern nor Qantas can claim the territory as their principal place of business.

Even assuming the regulatory hurdles are met, other industry experts are already querying whether the LCC model will work in Hong Kong. Jetstar spokesmen are predicting operating costs per seat half those of the existing full service carriers. But the problem, says HSBC analyst Mark Webb, is that Hong Kong is a “relatively expensive location” to choose as a base, and at least twice as costly as neighbouring Shenzhen.

Hong Kong’s only other budget carrier Oasis collapsed in 2008, although Hainan Airlines has ambitions to see Hong Kong Express – another of its subsidiaries operating from Hong Kong – emerge more strongly as an LCC operator.

In fact, LCCs have grabbed only about 5% of the passenger market out of Hong Kong, far less than places like Singapore or Australia itself.

Still, HSBC’s Webb thinks that Hong Kong’s two main incumbents – Cathay and its subsidiary Dragonair – have little to fear from the Jetstar announcement.

“We have difficulty understanding how like-for-like seat costs will be lower than Dragonair’s [which also flies from Hong Kong into China] by 50% in a high jet fuel price environment,” he concludes.

Nonetheless, bosses at Cathay Pacific won’t be impressed to hear the news that Qantas and China Eastern will be trying to muscle in on their home turf.

Qantas especially could have some explaining to do at the next gathering of the OneWorld alliance, the network of partner airlines in which both it and Cathay are founder members.
It’s not often that a written legal judgement is described as a “must-read”. But the New York Times clearly thought a decision delivered last month by Delaware’s Court of Chancery fell into the compelling category.

The judge’s findings were critical of (among others) the CEO of El Paso, a gas pipeline company in the US. Particularly, the judge thought the chief executive had been “influenced by an improper motive” in selling the firm too cheaply to its acquirer, Kinder Morgan. Apparently, the executive then planned to buy El Paso’s exploration and production arm back from its new owner.

Investors in China might wonder if something similar is afoot at Zoomlion Heavy Industry, where they suspect that company management may do rather better out of a proposed deal than they will.

In late February, the Hong Kong and Shenzhen-listed manufacturer of construction equipment announced plans to establish Zoomlion Environmental and Sanitation Machinery Company (ESM), with a registered capital of Rmb2.1 billion. It would also transfer Zoomlion’s pre-existing environmental assets into the new company.

The move was presented as a logical one: as a way for state-owned Zoomlion to strengthen its position in the sanitation business by transferring assets into a separate, more focused company.

By mid-March, Zoomlion’s intentions became clearer, much to the annoyance of some investors, with its plan to sell 80% of the new business for Rmb2.78 billion ($441 million), reports CBN.

Investor concerns heightened when it became clear who was bidding for ESM. One bidder in the deal is Hony Capital, part of the Legend Group. But the other bidder is a firm called Hesheng Investment Development. Zhan Chunxin, currently chairman of Zoomlion, and another 14 Zoomlion managers own 49.4% of Hesheng.

The suspicion is that Zoomlion’s management has moved the better assets into the subsidiary, which they are subsequently trying to buy at a bargain price. The deal values the transferred assets at 1.65 times price-to-book ratio or 5.11 times price-to-earnings. This looks cheap compared to Zoomlion’s biggest competitor, Sany Heavy Industry, which is valued at a price-to-book of 5.4 times and a price-to-earnings ratio of 10.24 times.

Zoomlion’s main businesses are concrete-making and heavy-lifting machinery, with environmental equipment constituting about 5% of revenues. The division makes the heavy equipment needed to keep a city clean – from washing and sweeping machinery to waste compression and landfill equipment. Still, it is a fast growing business: in 2011, the division made Rmb917 million in profits, up from Rmb592 million the year before.

Government targets on improving rubbish disposal services should also mean that demand for ESM products should stay high for some time. Indeed, ESM’s future looks healthy, perhaps more so than Zoomlion’s core business which may suffer from a slowdown in the Chinese property market.

It also turns out that the plan is for only the assets to be transferred to the new entity, with the liabilities of the former environmental operations remaining with Zoomlion. “With such a bright future, such high-quality assets are being transferred without a penny of liabilities. The transeree is probably Zoomlion management who are manipulating the matter, how can investors be made to understand this?” one disgruntled shareholder told National Business Daily.

Zoomlion’s largest shareholder is the Hunan province branch of Sasac, the organisation in charge of large state-owned companies. Its local director, Wu Zhixiong, is also paying close attention to the deal, reports National Business Daily. He has stressed Zoomlion’s importance to Hunan’s economy, and said Sasac would veto the deal if management looked to be profiting dishonestly.

Zhan meanwhile has tried to placate stockholders, stating that Hesheng will be a strategic investor and own no more than 20% of ESM.
Trading places

*China’s iron ore exchange signs up Fortescue*

In January, China soft-launched the China Beijing Mining Exchange (CBMX), an online iron ore trading platform. The full launch is planned for early May.

At the time, Nev Power, chief executive of Fortescue Metals, Australia’s third largest iron ore miner, said that it was still “very early days” for the China platform.

“We will continue to evaluate it going forward,” Power promised Reuters.

But in just two short months, the evaluation job has been completed. Last week Fortescue joined the CBMX, the first foreign member of the exchange. The CBMX is challenging another new exchange, the Global Ore Market, which is based in Singapore and backed by another miner, BHP Billiton.

Fortescue’s move is not entirely unexpected. Unlike its bigger Australian rivals, it has not diversified into other mineral production, and Chinese steel mills currently buy 95% of its iron ore output. Despite recent volatility in the iron ore market, Fortescue is also going ahead with an $8.4 billion expansion plan to treble production by 2013 to 155 million tonnes. By 2017 it expects output as high as 355 million tonnes.

That means it makes sense for the Australian miner to strengthen its ties with Chinese customers and Zhang Jiabin, an iron ore specialist at Umetal.com, told Caijing magazine that joining CBMX is part of Fortescue’s plan to ensure more buyers of its expanded production.

In return Fortescue has pledged to sell an unspecified volume of ore through the platform, where it is already rubbing shoulders with the 26 founder members; 13 steel mills, like Baosteel and Wuhan Iron and Steel, and 13 other mineral firms, such as Minmetals.

Will Fortescue be joined on the CBMX by its international rivals? ABC News, part of the Australian Broadcasting Corporation, says that there are rumours that the three largest iron ore miners – Vale, BHP Billiton and Rio Tinto – are also in talks to join CBMX. To emerge as the leading sales platform, it will need the international miners to sell a portion of their ore through its exchange.

Correspondingly, the China Iron and Steel Industry Association (CISA) has been making confident noises that the three will soon commit to the CBMX.

“All of the major suppliers will sign accords soon to join,” the CISA chairman told media last week. “We expect to create a fair, transparent environment for spot iron ore trading. We’ll set up a minimum volume of ore that they should sell through the platform.”

CISA’s interest in fair and transparent pricing platforms doesn’t seem to extend to the rival Global Ore exchange, however, with both it and the China Chamber of Commerce of Metals warning its members not to “blindly join the Singapore platform”.

The emergence of the CBMX is the latest development in a long-standing row between China and the major iron ore miners (see WiC56), who command 70% of the global sea-borne trade. Their critics believe that this gives them too much power over prices, even after a shift in 2010 from annual benchmark contracts to quarterly index pricing.

This transition is still not complete but the industry is moving towards floating prices based on daily indices.

Hence the scramble to establish a dominant exchange at which iron ore is priced and sold.

All of this comes too at a time in which the wider outlook for the industry is also unclear.

Last week comments from an executive from BHP that Chinese demand was “flattening” spooked the markets, especially given that all the leading players are implementing expansion plans.

“Uncertainty surrounding Chinese growth rates, coupled with a weakening outlook for steel and the simultaneous growth in Chinese scrap steel supply, could offset some of the positivity surrounding expected iron ore demand and push prices below the $120 a tonne barrier,” predicted the ratings agency Moody’s.
We’re delighted to inform you that we’ve found your stolen car” is one of the more pleasant pieces of news a police officer can deliver.

But for Mr Wang there was a less welcome follow-up: to get his car back, he needed to pay Rmb38,000 ($6,026).

Wang had purchased an off-road vehicle for Rmb257,800 in 2011 and bought full insurance coverage from Ping An. Last month his car was stolen from Anyang, a loss which he immediately reported to police.

The Worker’s Daily reports that two days later he received a note from police in Zhengzhou, another city in Henan province, telling him “they’d cracked the case and found his car”.

But the newspaper adds that when Wang went to Zhengzhou to reclaim his vehicle, he was told by officers that “in accordance with the relevant provisions”, he needed to pay “an incentive fee” to get his car back.

Wang reports being exasperated by this – weren’t the police just doing their job? – until he discovered that this was in fact a longstanding practice.

The Worker’s Daily confirms that the arrangement dates back to 1994, when the Ministry of Public Security and the People’s Insurance Company of China did a deal.

PICC – which then had a near monopoly on vehicle insurance cover – wanted the police to recover more stolen cars as a way to keep down its payouts.

“Do you think I do this for fun?”

So a reward scheme was agreed: if a stolen car was found the insurer paid the police 10% of the value of the vehicle (if it was discovered further afield than the city in which it was stolen, the percentage could go as high as 20%).

Wang’s car was found in the same province but in a different city, which meant the fee was calculated at Rmb38,000.

Not keen to pay this sum himself, Wang was helpfully told by police officers that his insurance company was liable for the sum. So he approached Ping An, only to be informed that he himself should pay the fee, get an invoice from the police, and then seek reimbursement.

Matters then took a Kafkaesque turn when Zhengzhou police refused to issue an invoice. After days of dispute, the matter is still not resolved. The incentive fee has not been paid and the newspaper reports that Wang is still without his car.

Ironically, Wang was probably worse off for having purchased fully comprehensive insurance coverage. In another case last year, a Mr Qin from Beijing had his own car stolen, and a day later was told that police in Zhuozhou City in Hebei had found it.

However, in Qin’s case the car was worth only Rmb20,000 and was not insured against theft. That meant that police couldn’t ask the insurance company for a reward, and instead asked Qin to pay an incentive fee. He haggled them down to Rmb500 and drove home.

The Worker’s Daily then consulted an expert to check if the current arrangements are legal. Liu Jing, a doctor of law from Zhengzhou University reckons they aren’t. He cites two regulations promulgated by the Ministry of Public Security in 1998, both of which bar the police from collecting “arbitrary charges” for the recovery of stolen vehicles.

“Clearly, the practice of charging an ‘incentive fee’ is inconsistent with the relevant provisions of the Ministry of Public Security,” the Worker’s Daily concludes.

Liu says too that the practice of collecting these fees raises much more basic questions. Does it mean an officer will work less hard to solve crimes in which an incentive fee is not going to be offered? And what about other public servants? “Should the fire brigade be rewarded for successfully fighting a fire?” Liu asks.
After a great start to the year, Hong Kong’s Hang Seng Index dropped by 3% last week, its largest weekly decline in four months.

One of the poor performers was Agricultural Bank of China (ABC). Shares in the lender fell 3.1% after it reported its first quarterly drop in profits since listing in 2010. Net income at the bank was down 14% to Rmb21.2 billion in the last quarter, from Rmb24.7 billion over the same period in the previous year.

The bank’s full year numbers were also an issue. Despite posting 29% profit growth for 2011, reaching Rmb122 billion ($19.3 billion), the market reaction was disappointment. Analysts were looking for a growth of 36%, according to the Financial Times.

The slowdown in profit at ABC also stirred concerns about the wider health of the Chinese banks. In contrast to Western banks, many of which required huge cash bailouts after the financial crisis, the Chinese lenders were called upon to do much of the bailing out, by lending aggressively when the Chinese economy started to slow three years ago.

The fear now is that the effects of all this easy credit will start to show up in their balance sheets in bad debt. A senior banking regulator said recently that the banks had started to experience an increase in non-performing loans (NPLs) in the final quarter of 2011, stemming back to the greater exposure to credit risk during the economic downturn. And industry insiders now wonder whether loans are going to start going bad just as China’s economy shows signs of slowing once more, also hitting profitability.

That means that analysts are looking for clues on credit quality. Hence the attention given to ABC’s announcement that it had put aside Rmb22.8 billion in provisions for bad debt in the last quarter, more than twice as much as the same period last year. Investors wondered how to react to the news. Was this a sign of ABC acting prudently in looking at its lending profile and preparing for a few rainy days ahead? Or did it mean that the bank feared a much more damaging deluge in coming months, when larger provisions would have to be made?

There was similar speculation about China Construction Bank (CCB), which reported its own results on Sunday. It posted a 25.5% increase in net profit to Rmb169.4 billion over the last year, citing better net interest margins, as well as rising commission and fee income.

But income in the last quarter dropped to Rmb30.2 billion, significantly lower than the Rmb42.2 billion in the quarter before.

CCB’s bad loans also rose by almost 10% in the most recent quarter, with the bank blaming worsening conditions in manufacturing, real estate and retail, reports Reuters.

The bulls will be cheered by Industrial and Commercial Bank of China, which this week reported a 17% increase in its fourth quarter earnings, beating analyst expectations, reports Bloomberg. Earning Rmb208.3 billion in the full year, the bank made Rmb44.4 billion in the last quarter.

“ICBC has extended its edge over rivals with its long-standing prudent management and better risk control,” an analyst told the newswire.

Despite the good earnings, ICBC was no different from its peers by showing cracks in its loan book. Bad loans were only slightly up, from 0.91% to 0.94%. But the bank’s target to keep NPLs below 1.2% in 2012,
Banking and Finance

suggests that banks are expecting a tough year ahead.

If bad debt turns out to be larger problem for the banking industry than anticipated, all eyes will turn to how the government is going to address the issue. Currently, investors seem confident that policy remedies will be found, reports the Financial Times. This is partly evident in the strong performance of the Big Four bank stocks, which have risen by 50% since October, outperforming the general market rally.

Watch Wenzhou
Private lenders legalised

Financial reforms got a big boost this week, in the city often said to be at the forefront of China’s bad loan problem: Wenzhou in Zhejiang province. Banks in the city face an NPL crisis – the bad debt pool has more than tripled since June, from just 0.37% to a current 1.74%, reports CapitalVue. It cites analyst predictions that local NPLs could go as high as 2% by the end of 2012, or even 5% if the economy slows significantly.

It shouldn’t be much of a surprise that Wenzhou’s banks are hurting. Last year, the city was at the centre of a debt crunch, brought about by disintegrating networks of private lenders. Many of these ‘private loans’ start out as a bank loan that is ‘guaranteed’ by a local businessman with good credit, before being lent out to less creditworthy borrowers. When the chains of debt collapse, the bank is left with a new NPL.

Beijing’s response, decided in a meeting of the State Council this week, was described as “momentous” by an economist speaking to the China Daily. New rules will allow local investors to invest abroad directly, while at the same time permitting private investors to establish legitimate loan companies.

The changes are presumably designed to ensure that Wenzhou’s entrepreneurs have a broader range of investment opportunities so that they feel less compelled to engage in underground private lending (to make a return on their capital). But if they do decide to go into the loan business, they can now do so in a more transparent, regulated way.

A communiqué issued by the State Council describes the changes as “of the utmost importance”, not only for Wenzhou, but also as a first step for wider financial reform.

Indeed, if Wenzhou’s pilot scheme is successful the ramifications will be far-reaching. Not only will Chinese individuals be able to invest more easily abroad – a major loosening of capital controls – but a private sector banking system could emerge to counterbalance the state-owned one. That could then give entrepreneurs much needed access to finance.
As word spread of the spectacular wedding on Hainan island of the daughter of Xing Libin, some Chinese reacted with envy, some with anger, but the most common reaction was – who is he?

That’s because Xing, 44, is little known in China, despite the Shanxi coal baron being one of the wealthiest men in the country.

According to Xin Caifu magazine, Xing was worth at least Rmb5 billion ($793 million) in 2011, having added about Rmb1 billion to his fortune since 2010.

That makes him the 252nd richest Chinese, the magazine said. But International Coal Online, a Chinese website, reported that villagers in Liulin county, where local boy Xing got his start with a single mine in 1990, believe he’s worth at least double that.

“Tens of billions” is the guess, that reflects both the fabulous wealth that has been amassed in China’s “black gold” triangle of coal provinces in Shanxi, Shaanxi and Inner Mongolia; likewise it points to the fact that few outsiders really know quite how much the often secretive barons have managed to stash away.

A thin and bespectacled man, Xing looks more like an accountant than a coal baron, judging by photographs that made it online from his daughter’s wedding in Sanya on March 18. In a rare interview with 21CN Business Herald in 2010, he was also described as being “dully” dressed and looking “nervous”.

“In the past I haven’t dared say that I run a coal mine,” he told the newspaper. But the Hainan wedding seems to indicate that the low-key approach has now been jettisoned.

Attracting most attention was the sheer cost of the event: reportedly more than Rmb70 million, as dozens of media outlets reported.

Then there was the bride’s ostentatious dowry: six Ferraris (see photograph of the cars lined up outside the hotel venue, above).

The groom is Li Bo, the son of an unnamed Hainan Island property developer (the bride herself was not named in any of the reports on the wedding).

Other wedding costs included the hire of three aircraft to fly guests and entertainers from both Beijing and the Shanxi capital of Taiyuan to Hainan, where the proud father had booked the Ritz-Carlton, the Marriott and Hilton hotels for the celebration, Chinese media reported.

CCTV presenters Zhu Jun and Zhou Tao then hosted the evening festivities on a giant, high-tech stage constructed especially for the party at the Ritz-Carlton, according to media reports.

Taiwan singer Jay Chou turned up to perform, as did Wang Lihong and Han Hong. In all over a dozen of the country’s top stars entertained the crowd in an event that was compared to CCTVs own annual Spring Festival Gala (see WiC136).

A white, horse-drawn carriage, driven by a (presumably bemused)
foreign coachman, delivered the bride to the venue.

The event has drawn plenty of comment, including comparisons with feudal times.

In an online post on Xinhua’s weibo, or microblog, commentator Lei Zhongzhe said the wedding reminded him of two of the most famous lines of classical Chinese poetry, by Du Fu:

“Wine and meat rot behind vermilion gates/ while on the road people freeze to death.”

Xing hasn’t given any post-nuptials interviews himself, so we don’t know what made him put on such a high-profile ceremony after so many years of attempted anonymity.

While there is a dearth of information about the mysterious coal baron, we do know that he was born in May 1967 and attended Shanxi University, where he studied law.

Graduating in 1990 aged 23, Xing worked first at a steel mill, setting up several companies and making his first real money renting the Jinxiazhuan coal mine in nearby Liulin from the cash-strapped local government, Zhejiang Online reports.

According to China Entrepreneur magazine, an unnamed “technological innovation” of Xing’s then enabled him to increase the mine’s output from 100,000 tonnes to 600,000 tonnes.

By 2002 he had bought the far larger, state-owned Xingwu coal mine, also near Liulin, six kilometres away from the nearest public road, for just Rmb80 million.

He paid “a cabbage price,” or very little, remarked 21CN.

With an estimated 15 million tonnes of coal, the mine was “cheap in the extreme,” agrees China Entrepreneur.

Xing promptly set up another company, Shanxi Liansheng Energy Group. In 2008, having bought several more mines, Xing listed on the Hong Kong stock exchange as part of a deal with Fushan International Energy and Fulong Group, www.xici.net, a business news website, reported that year.

Xing has only become richer since then. In 2009, of the 24 large coal mines in Liulin county, Liansheng controls about a third. Xing also has a joint venture with state-owned China Resources Group in which he holds 42% of the shares.

According to Xing, the long-term goal of China Resources Liansheng Group is to own an annual production capacity of 100 million tonnes of coal. The company has spent Rmb7 billion annexing coal mines in Lüliang’s Xingxian and Shilou counties, as well as other emerging resource areas, the Economy and Nation Weekly reported.

Xing has also turned his attention to agribusiness recently, taking over a 154 square kilometre area of Shanxi province, or 52 villages and their surrounding land, which he is turning into an “agricultural business district” where he plans to plant walnut trees, among other things. The investment here may total Rmb10 billion, according to 21CN.

“Money is not a sin, but we have to make good use of the money,” he told 21CN.

Maybe so. Yet the public interest in his daughter’s lavish wedding has been ongoing, with thousands posting their opinions online.

The main debate is whether it is morally right to spend this kind of money on a wedding in a country where annual per capita income still averages just Rmb6,000 for rural residents and Rmb19,000 for urban ones.

Xinhua quoted the views of netizens who lamented how many impoverished children could be fed and clothed for such a huge sum of money. Xinhua’s commentator Lei also added that many other online remarks complained of the wedding’s ostentation and contrasted that with the many Chinese miners who had died in mining disasters. “Shanxi’s Black Gold is soaked in blood. So many families who have lost members, so many poor workers,” wrote Lei.

But Lei also cautioned that some of the criticism of the Xing wedding was simply envy.

“Doesn’t Rmb70 million spent on hiring airplanes and hotels, paying performers and buying goods also help other people’s incomes?”

That seems to strike a chord with an earlier comment from the Shanxi coal magnate.

“Helping other people out of poverty is a pleasure,” Xing is reported to have told a reporter from the Economy and Nation Weekly.
After she starred in the controversial espionage drama Lust, Caution, actress Tang Wei was feted. She won the best new performer category in Taiwan’s Golden Horse Awards, considered the Chinese-language Oscars, and was named by Variety magazine as one of 2007’s top 10 stars to watch.

But the plaudits overseas didn’t seem to translate into success at home. Soon afterwards the Chinese authorities slapped a ban on broadcasts featuring Tang, supposedly as punishment for her unpatriotic trysts with a collaborator with the Japanese in the film (see WiC2).

Tang enjoyed better luck abroad. In 2010 she was cast in the drama Late Autumn, a South Korean movie shot mostly in English. Her performance won her the best actress gong at South Korea’s prestigious Baeksang Arts Award – the first foreign actress to win the award.

But Tang’s success in South Korea is hardly the norm. In fact it’s rare for Chinese actresses to appear in Korean movies – although paradoxically it is increasingly common for Korean actors to make it big in Chinese cinema and television.

According to China Business View, South Korean actresses are regularly putting Chinese starlets out of work. Why? Roles that might otherwise go to big-hitters like Zhang Ziyi and Zhou Xun are now going to the Koreans because of the wild popularity of Korea’s pop and TV soap operas in China.

Additionally, industry observers say Chinese audiences are also fed up with seeing the same handful of Chinese actresses that have come to dominate the country’s domestic cinema.

Instead, audiences have grown accustomed to Korean stars playing Chinese roles, albeit with a dubbing of their dialogue in Mandarin. Despite this, the South Koreans seem to attract bigger audiences. “To cast a South Korean actress is a commercial decision. Korean dramas have cultivated a huge fan base in China and all around Asia so South Korean actors can widen a film’s box-office appeal,” an entertainment industry analyst told China Business View.

Bill Kong, a Hong Kong film producer, agrees. He told TIME magazine that Korean films also benefit from being more accessible to audiences elsewhere in Asia, unlike those from Japan. Korea’s movie culture is “closer to China, closer to the rest of Asia,” Kong suggested.

No wonder that producers for last year’s mainland hit Warring States hired South Korean star Kim Hee-seon to play the female role rather than going with a Chinese actress. Reports say the role was originally slated for Zhou Wei.

Ironically, the China market has also been important for some of Korea’s stars as a way of reinventing themselves in the face of waning popularity at home.

Take actor Jang Dong-gun, who has managed to resuscitate his career prospects in China. The 40 year-old first shot to local stardom in a television drama series in 1992. But since 2004, Jang has concentrated on his career in China, appearing in several mainland productions like Chen Kaige’s 2005 fantasy epic The Promise. Industry insiders say Jang is now more...
recognised in China than he is at home. More recently, Jang signed on for the latest adaptation of the French literary classic *Dangerous Liaisons* (see WiC125) – this time in Chinese – which also features Zhang Ziyi and Cecilia Cheung.

But it’s Jeon Ji-hyun, best known for her role in the romantic comedy *My Sassy Girl*, who wins the title for the most active South Korean star in China. Jeon also appeared in the Chinese-American production *Snow Flower and the Secret Fan* and her face also adorns products ranging from Huiyuan orange juice to Midea air-conditioners. Competition for endorsement deals can be cutthroat, with Jeon reportedly battling another South Korean actress Song Hye Kyo for a tie-up with a leading Chinese cosmetics brand recently. Song ended up winning the contract by charging a lower fee.

Mass incarceration on a scale almost unexampled in human history is a fundamental fact of our country today,” writes Adam Gopnik in the New Yorker. “Overall, there are now more people under ‘correctional supervision’ in America – more than 6 million – than were in the Gulag Archipelago under Stalin.”

We suspect the New Yorker’s fact-checkers were working overtime on that statistic but as Fareed Zakaria also points out in TIME, the United States imprisons seven to 10 times as many people as other developed nations.

Zakaria says the US has 760 prisoners for every 100,000 citizens (by contrast, Japan has 63, Germany has 90 and even Mexico is lower at just 208). And in a new TV show called *The 700 Club*, evangelist Pat Robertson also came up with an incredible stat: “We here in America make up 5% of the world’s population but we make up 25% of the world’s jailed prisoners.”

Those numbers jar with the American reputation as the “land of the free”. But WiC imagines that readers will be less shocked by some grim statistics emerging from China’s penal system. In this case: the sale of the bodily organs of dead prisoners.

As the New York Times points out, the practice is one of the country’s “most criticised human rights issues”. Families say organs have been removed from relatives without consent – although the Chinese government denies this. And groups such as Amnesty International even suggest that executions can be speeded up – meaning that inmates have less chance for a proper appeal – in order to meet medical demand for body parts.

But in a speech last week in Hangzhou, China’s vice minister for health Huang Jiefu announced plans to phase out inmate organ removal over the next three to five years.

“The pledge to abolish organ donation from condemned convicts represents the resolve of the government,” Xinhua reported Huang as saying.

Another reason for the move (it’s unlikely that the authorities would admit to being swayed by criticism) is that the reliance on prison organ supply has stunted the development of a public donation programme.

China legalised the donation of organs (outside the prison system) in 2007, although only between family members. In 2010 the country began a public donation scheme in 16 provinces, and this month Huang announced plans to extend it to the rest of the country.

But China still has more than a million people waiting for organ transplants, according to the People’s Daily. Part of the problem is that there has been little education on organ donation. Many Chinese also feel uncomfortable about burying or cremating a body which is not whole, the Guangzhou Daily reports.

*The Book of Filial Piety* says your body is from your parents and you should not damage it and even after death we are taught to preserve the integrity of the body,” it explains.

But as the commentary also points out, the greater issue may well be one of trust, with potential donors unsure that a government-run system would serve all people equitably. (As a guest on the BBC Radio Four show Moral Maze in the UK pointed our recently, people are more likely to donate their organs if they feel that they or a family member would also benefit from a simi-
lar scheme in event of an accident.)
The government’s decision to have the Chinese Red Cross run the new donation programme has compounded doubts. As readers of WiC will recall, the organisation’s reputation (it has nothing to do with the Geneva-based Red Cross) took a nosedive last year when Guo Meimei, a young woman claiming to be an employee of the charity, posted pictures online of her lavish lifestyle (see WiC113).

Since then blood donations have also plummeted (the Chinese Red Cross oversees this programme too) and by the end of last year, in the 16 provinces where it was possible to register as an organ donor, only 163 people had applied.

"Donate my heart so another Guo Meimei can have a new handbag? No thanks!" wrote one weibo user.

"The Red Cross has found another way to make blood money," wrote another.

With no priority list existing for receipt of donated organs, it has also been easier for those with connections to pay to jump the queue.

In 2005 there was public interest in the case of actor Fu Biao, who received two liver transplants in the space of a year after he got liver cancer and the first transplant failed.

The vast majority of people waiting for transplants in China never even get the offer of a first organ, so critics queried how Fu got two chances in such a short space of time.

The shortages also means a thriving black market in body parts. Earlier this month Chinese media reported that a court in Beijing was trying 16 men, including doctors in government hospitals, for brokering illegal kidney transplants in operations worth over $1.5 million.

If prisons no longer provide organs, the black market will likely thrive further, no doubt leading to more stories similar to one in the Nanfang Daily this month, in which a man from Chongqing claims to have woken up to find his kidney missing.

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**On my oath**

*New lawyers’ pledge causes controversy*

For many of China’s 200,000-plus lawyers, life is looking good.

A thriving economy has boosted demand for corporate legal advice and family lawyers are benefiting from a rise in the number of divorce and child custody cases.

But for the few hundred Chinese lawyers that have chosen to specialise in civil and human rights law, the last few years have not been so good.

In 2010 new legislation made it a crime to take on “sensitive” cases and dozens of lawyers were harrassed, disbarred or detained in the wake of the more recent political unrest in north Africa and the Middle East.

And now, another new development: the government has announced that it requires all new lawyers to swear allegiance to the ruling Communist Party.

“The new oath is yet another ominous step in a continuing campaign in recent years to restrain lawyers from representing clients seen as challenging Party rule,” Stanley Lubman, an expert on the Chinese legal system, warned in an article published on Wall Street Journal’s China Real Time website.

A note accompanying the new oath on the Ministry of Justice’s website says that all new lawyers must make the pledge within three months of starting to practice.

It was not clear whether lawyers already holding licences will have to swear the oath too.

"I will faithfully perform the sacred duties of a legal worker under socialism with Chinese characteristics; to be faithful to the motherland and the people; to uphold the leadership of the Chinese Communist Party and the socialist system; to safeguard the dignity of the constitution and the law.”

A note accompanying the new oath on the Ministry of Justice’s website says that all new lawyers must make the pledge within three months of starting to practice.

It was not clear whether lawyers already holding licences will have to swear the oath too.

"Why not just make them all join the Communist Party?" one weibo user quipped.

Some Chinese media outlets have also made it clear they consider the move another backwards step, especially given the recent controversy over the new ‘secret detention’ law (see WiC143).

"The problem is that traditionally the rule of man is greater than the rule of law here," an editorial on the Xinhua Baoya newsportal observed. “Our country is trying to feel..."
its way across the river by feeling the stones, but the government keeps removing them.”

Having a (rugby) ball
HSBC returns as Hong Kong Sevens sponsor

Part party, part global sporting event, another Hong Kong Sevens weekend is finally over, with Fiji emerging as winners. For many in Hong Kong, the Sevens is the sporting highlight of the year. And this year’s event also marked a welcome return for the territory’s leading bank. After a decade and a half away, HSBC is once again a title sponsor of this celebrated tournament alongside local airline Cathay Pacific.

HSBC’s group head of sponsorship and events, Giles Morgan, talked to WiC about the importance of the Hong Kong Sevens, and why he thinks China may even win it in the not-too-distant future...

What does it mean for HSBC to be sponsoring the Hong Kong Sevens again?
It means a lot to HSBC. The Hong Kong Sevens really reflects the biggest local social and sporting event in Hong Kong. But it’s also international, with 23 countries participating, as well as Hong Kong itself. And people come to watch it from all over the world, both our clients and tourists. So it very much reflects HSBC and where we are: an internationally-connected organisation, with its roots firmly in Hong Kong.

What was the symbolism of having Sir William Purves present the cup last Sunday?
That was a decision made by our CEO, Stuart Gulliver. He felt that it was appropriate that our former chairman, and someone who has played such a major role in the evolution of HSBC, do this.

Key Figures: The Guangxu Emperor

Reform – or talk of it – is in the air, with Premier Wen Jiabao issuing another call in mid-March for political change, “particularly” within the Communist Party and state leadership system. For good measure Wen added that China risked losing the gains of decades of economic reform if it didn’t change politically.

Plus ca change, plus c’est la meme chose: reform was also in the air over a century ago, at the end of the Qing Dynasty. But if the experiences of the young Emperor Guangxu are anything to go by, would-be reformers had better step carefully.

In the summer of 1898, Guangxu, aged just 24, launched his Hundred Days’ Reform after reading a memorial presented to the imperial court in 1895 by a group of influential scholars led by Kang Youwei and Liang Qichao. It’s thought that the treatise frightened conservative officials, who had blocked the memorial’s progress through the bureaucracy for three years.

For nearly four decades the Qing had been trying to modernise economically, with some success. But politically the empire remained backward. Faced with powerful neighbours like Japan, and Western powers including Britain and Russia, it was clear that China was failing fast.

The Emperor Guangxu, notes historian Jonathan Spence “undoubtedly had a wider view of the options facing China than any of his predecessors”. He had even been studying English, as part of his efforts to assert his independence from the Empress Dowager Cixi, who hovered in the background.

Guangxu decided to “act on the country’s behalf,” Spence writes in his masterly book, The Search for Modern China. From June to September that year he issued a series of edicts touching on many areas of government including the bureaucracy, armed forces, education and the economy. Modernisation and streamlining were the goals, to develop a more flexible and more powerful government.

Yet many officials were unimpressed, seeing the reforms as harmful to “China’s true inner values,” writes Spence.

Cixi also feared that they would weaken the ruling Qing dynasty. Details remain unclear, but amid rumours of a possible coup, on September 21, she issued an edict declaring that the emperor had asked her to resume power. Guangxu was detained and placed under house arrest until his death in 1908.

Many of his reformist advisers were executed. Kang and Liang fled the country.

But the forces of change could not be held back. In the decade after Guangxu’s effective deposition, the pressure grew. In 1911 the Qing were overthrown by Sun Yat-sen’s Republican forces in a revolution.

Could Guangxu’s reforms have prevented a similar fate if his government had persevered with implementing them? Wen Jiabao has used similar arguments, seeing reform as a way of preserving the political status quo rather than undermining it.

In fact Wen was warning again of the need for renewal this week, with another reference to corruption in officialdom as “the biggest danger facing the ruling party”. If not dealt with it, the problem could “terminate the political regime” he predicted.
After all, we were returning as sponsor after a 16 year hiatus. It was a very touching gesture – Willie has just celebrated his eightieth birthday – and giving him this honour was a reminder of the bank’s history. It was something that was appreciated by many HSBC staff, as well as the Hong Kong corporate community.

What do you think makes the Hong Kong Sevens such a special event?
It’s obviously a huge social event in Hong Kong, where everyone comes out to play and enjoy a carnival atmosphere. But what makes it even more special now is that the International Olympic Committee has made Rugby Sevens an Olympic sport. It’s becoming a global game. And the Hong Kong Sevens is pre-eminent among the modern day Sevens tournaments. Indeed, in my view it has been the catalyst for popularising Sevens rugby and ensuring that it becomes part of the Olympic movement. I think rugby owes the Hong Kong Sevens a big debt of gratitude.

Why is HSBC keen to sponsor rugby?
It’s a sport that’s all about integrity, teamwork and fair play. Those kind of values match our own.

How did China do this time round?
Not so well. They beat Uruguay but lost to Tonga, and also to Hong Kong by 29 points to 5. The latter result was obviously a popular one with the local crowd!

But China is going to get there. It will take five or six years before their Sevens team starts to deliver top quality results on the field. It’s clear that they are committed as a country to developing Sevens – which will be played at the Rio Olympiad in 2016. Every year you are seeing fitter, stronger and better athletes representing China. It’s only a matter of time.

There’s no physical barrier to entry for Sevens rugby. It needs speed, agility and technical nous rather than huge, thundering men and women. So you are looking at a sport where everyone is on an equal footing.

So you think there’s a chance of a Chinese team winning the Hong Kong Sevens in the next decade?
If the resources are put into it, and there is the self-belief, there’s no reason why not. China has enough athletes to choose from, and Sevens is a very simple game to play and understand.

It will be wonderful to see China rise through the world rankings.

What was the purpose of the Sevens village that HSBC set up at this year’s event?
Well, two things. We tried to engage as much of the local community as we could, to make the Hong Kong Sevens accessible. There are only 40,000 tickets a day, so not everyone can get in.

We wanted to make it possible for people to come down and sample the atmosphere free of charge, as well as introduce rugby through entertaining games on the giant screen.

And it was also an opportunity for those with tickets to get away from the cauldron of the stadium. It was just over the road and our village was mobbed all three days – we think 11,000 people passed through. Our ambition is make the Sevens Village even bigger next year and to help local people in Hong Kong appreciate this tremendous event they have on their doorstep.
Google has long been known for its generous perks. In the US, the company offers free dry cleaning, birthday massages and special parking spots for expectant moms. The search giant also has one of the most lavish company canteens, to which Google invites celebrity chefs to cook for its employees. So perhaps it shouldn’t come as a surprise that Google’s canteen in China has also become known for serving some of the most avant garde cuisine in the country.

Google encourages its staff to spend a portion of their time experimenting on new product ideas. And it seems that something similar has reached the company kitchens. According to Xue Rongsheng, Google China’s head chef, the kitchen staff at the tech firm are also obsessed with innovation, albeit of the culinary rather than technological variety.

Once a week there’s a Research-and-Development menu and all the team – 20 chefs in total – conjures up a new offering for the day. Some of the new dishes then make it onto the following week’s menu.

Creativity seems to be rewarded: recent successes included ‘snail roll with millet flour pancakes’; and ‘Cantonese-style steamed noodle roll stuffed with Japanese tempura’.

Xue, who used to head up food and beverage at a five-star hotel in Beijing, told the Economic Observer that all the chefs at Google are challenged to think creatively. To help with that, the company does not impose a strict budget for ingredients. The goal, enthused Xue, is “to submerge ourselves in the ocean of cuisine”.

Sounds like a dream kitchen for any chef. The stats are also revealing. Between 2007 and 2010, the team created more than 3,000 different kinds of dessert. For the main courses, they gave up counting. “We exhaust all our energy in researching new dishes,” Xue says.

The chefs also like to try their hands at fusion cuisine. “We make Western and Chinese bakers work together to invent new desserts, combining Beijing’s traditional bean cake with tiramisu filling. They are all very popular with the workers,” boasts the kitchen boss.

But work pressure in the kitchen is also high. Xue says he reports to Google HQ in Mountain View every week via video conference, usually to discuss his new recipes and other culinary experiments.

His secretary also uploads the day’s menu on Google+, the search giant’s social network, so that kitchen staff can get some immediate feedback on which of their radical new recipes was a hit.

“Traditional restaurants are slow to respond to the clients’ reactions to their food,” Xue said. “But at Google, we find out about their reactions instantly.”

Sadly, bookings are not accepted. The canteen’s for staff only...

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**Harbouring intent**

“Existing Chinese port facilities are perfectly adequate for handling this vessel”

Sean Wang, CFO of shipbuilder Rongsheng Heavy Industry, tells the Financial Times that it’s not safety but vested interest that is preventing Valemax ships from docking in China. “The Berge Everest, which is a Valemax, managed to dock in Dalian without any problems last year and that is the reality,” Wang said. For more on why Vale’s ships cannot unload in China, see WIC137.

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**The home of great food**

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Photosource: Imagine China

Photo of the Week

Hot stuff: a knitwear contest at China Fashion Week

In Numbers

$11.8 billion
Market capitalisation of Air China, making it the world’s most valuable airline. The market cap is almost twice that of United Continental and also surpasses other Asian airlines like Singapore Airlines and Cathay Pacific.

Rmb180,000
The cost of 500-grams of West Lake Longjing, a renowned roasted green tea. In weight terms, that makes the tea 25% more expensive than gold.

$17 billion
The value of prospective deals signed between China and Indonesia after a state visit by Indonesian President Susilo Bambang Yudhoyono. The two governments signed nine memorandums of understanding covering 15 projects in sectors including mining, hydropower, steel and agriculture, says Xinhua.

Where is it?

Some of the places referred to in this issue

Beijing
Shanghai
Hangzhou
Guangzhou
Hong Kong
Wenzhou
Wuhan
Shanxi
Hunan
Hainan
Macau
Hong Kong
Beijing

With 1.3 billion people, 293 languages and an often opaque business culture, China can often seem as mysterious as the Mona Lisa. Our easy-to-search website now helps you to find some of the answers. It contains a growing archive of more than 2,500 WiC articles.

And the site has another advantage: subscribers are able to read us on the move each week via their Blackberry or iPhone. To get our weekly email and access the site, you’ll need to go to www.weekinchina.com/welcome/ and sign up. It takes just a couple of minutes to register.

Sign up today!

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