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FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

NEWSLETTER | 14 APRIL 2014

FCCC ACTIVITIES

FCCC Conference: "Doing Business with Belgium" – 14h30, 24 April 2014 – Shangri-La Hotel, Qingdao

The Flanders-China Chamber of Commerce (FCCC) and the China Council for the Promotion of International Trade (CCPIT) Qingdao Sub-Council are organizing a conference: "Doing Business in Belgium: Flanders" on Thursday, 24 April 2014 at 14h30 at the Shangri-La Hotel in Qingdao, Shandong province. Address: 9 Xiang Gang Zhong Lu, Qingdao, 266071, China. This session is organized with the support of the Port of Antwerp, the Province of East Flanders, Ghent University and Dewolf & Partners.

Programme:
Registration

Welcome by Mr FENG Wenqing, Chairman China Council for the Promotion of International Trade – Qingdao

Introduction on the Trumps of Belgium – Flanders by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

"Movie: Flanders, Small Size, Big Opportunities"

"Antwerp, heart of Europe's shipping & logistics Industry and gateway to 250 million consumers" by Mr Luc Arnouts, Chief Operating Officer, Port of Antwerp

"Study at Ghent University: education and research" by Mr Domien Proost, Chief Representative Beijing Office, University of Ghent and Province of East-Flanders

"Investing and doing business in Belgium – Legal aspects" by Mr Jacky Sun, Associate, Dewolf & Partners

Followed by exchange of views and networking reception.

If your company is interested in sponsoring this event, please send an e-mail to: info@flanders-china.be.

Panel Discussion with Captains of Industry – Results Sino Belgian Business Survey 2014 – 24 April 2014 – Ghent

A record 22 million in new auto sales, GDP growth declining to the lowest level in 24 years… In a country that recorded the worst performing stock market in Asia, while at the same time achieving record retail sales, it's difficult to see just how companies in China performed in 2013. Moore Stephens, together with the Flanders-China Chamber of Commerce (FCCC) are organizing a discussion on the results of this year's survey with a panel of captains of industry and independent pundits in Ghent on April 24.

Date and venue: Thursday 24 April 2014, Ghent Marriott Hotel, Korenlei 10, 9000 Gent

Programme:
16h00 – 16h30: Welcome & Registration
16h30 – 16h50: Opening Speech by Catherine Vuylsteke (Author, Journalist, Film Maker, China Expert)
16h50 – 17h30: Captains of Industry panel discussion moderated by Andries Verschelden (Partner, Moore Stephens)
Panel members:

- Patrick Van Overloop, KBC General Manager Asia Pacific
- Paul Van den Bulcke, Director at Taminco
- Geert Roelens, CEO Beaulieu Group

17h30 – 17h45: Q&A session
17h45 – 19h00: Networking opportunity, drinks and hors d'oeuvres

Price: Members FCCC: €30 Non-Members : €45
Register here

ACTIVITIES

Cross Cultural Communication – 13 May 2014 – Brussels

The Brussels Diplomatic Academy is organizing a workshop which will immerse you in intercultural communication exercises via real life anecdotes and role plays (a.o. based on the work of Paul Verluyten, Hofstede and other cross cultural experts). The workshop content will be adapted according to the participants' learning objectives. This training is of particular relevance to top and middle management, diplomats, national and international civil servants and government officials.

Date: 13 May 2014, from 14.00 h. to 18.00 h. at Pleinlaan 5, Karel Van Miert Building, 1050 Brussels.

Save 50% reduction via KMO Portefeuille (more information on www.kmo-portefeuille.be).

Download our training brochure.

For more information: bda@vub.ac.be.

17th China Chongqing International Investment and Global Sourcing Fair – 15 to 18 May 2014 – Chongqing

The 17th China Chongqing International Investment and Global Sourcing Fair will be held from May 15 to May 18 in Chongqing. This fair is the most important event in terms of the promotion of trade and investment in Chongqing, and a lot of activities will be held on the occasion of this event, such as three fairs related to outbound and inbound investment, global sourcing, and imported consumption goods, high level forums, and some matchmaking meetings. The Fair can help you to get to know the city of Chongqing better and to find business opportunities in Chongqing. For VIP guests, the local organizer will cover their fees for accommodation, meals, etc.

Seminar: Protection of business, economic and national interests – 5 June 2014 – Vilvoorde

Voka Halle-Vilvoorde, Voka Metropolitan and the Brussels Diplomatic Academy of the Free University of Brussels are organizing a seminar on the protection of business, economic and national interests, on company and state secrets and how they are protected.

Thursday 5 June 2014, 14h00 – 18h00 at Voka Chamber of Commerce Halle-Vilvoorde – Medialaan 26 – 1800 Vilvoorde – parking in the business park.

Price: Members Voka Halle-Vilvoorde and Voka Metropolitan: €125, Non-members: €190. An attendance certificate issued by the VUB will be available. Companies based in Flanders can use KMO-Portefeuille.

China Europa – 16~18 September 2014 – Shenyang

China Europa, the essential business gathering between Europe and China, is a key event focusing on commercial relations between Europe and China in the field of sustainable urban development, and offers European and Chinese companies and territories a unique opportunity to meet and to develop efficient economic links, in optimal conditions. It guarantees fruitful and constructive encounters with a number of qualified and targeted contractors and suppliers. It is also an opportunity to identify new development opportunities in

Europe and in China and to benefit from exchanged expertise and good practice via a programme of conferences and themed workshops. The leading Chinese and European economic authorities consider China Europa to be the leading event in Sino-European business relations and exchange in the field of sustainable urban development. By providing extensive support towards the business convention's organization, these bodies assert their will to reinforce productive cooperation that will contribute towards shaping tomorrow's sustainable towns and cities.

More information on the event is available at: http://www.china-europa.org/rendez-vous-incontournable-business-europe-chine-china-europa-2014-en.asp

PAST EVENTS

China Job Market – Gent – 1 April 2014

A job market for Chinese high potentials was organized by Ghent University Doctoral Schools, the Flanders-China Chamber of Commerce (FCCC) and the Province of East Flanders. The fair took place on 1 April at the International Convention Center (ICC) in Ghent, where at the same time the Graduate Fair and Job Market for Young Researchers was held.

Ghent University Association with its four member institutions – Ghent University, University College Ghent, Artevelde University College Ghent and University College West-Flanders – has approximately 250 Chinese students. Chinese final-year Master students and young researchers (doctoral students and postdoctoral fellows) received a personal invitation to visit the Graduate Fair. The job market was also advertised through the Chinese interuniversity student council. The purpose of the Fair was to help final-year Master students and young researchers find a (first) job and make it easier for employers to network with these young professionals.

NOTICE

Sponsorship opportunities

The Flanders-China Chamber of Commerce (FCCC) offers several sponsorship opportunities to give companies more exposure to potential new clients and collaboration. Opportunities are available in our weekly newsletters, quarterly Chinese newsletters, our new website, our conferences and meetings with Chinese delegations.

If you are interested in obtaining more information about the sponsorship opportunities, you can download the detailed information at the following link :
www.flanders-china.be/sponsorship_opportunities_2014.doc

PUBLICATIONS

FCCC publishes “FCCC Members' Portraits in China Vol.2”

See FCCC Members' Portraits on the FCCC website.

FINANCE

China’s taxation considered complex and unpredictable

China's taxation has not kept pace with the demands of its fast-changing economy and companies rate the country's tax system as one of the most complex, unpredictable and inconsistent in the Asia-Pacific, according to a recent poll by Deloitte Touche Tohmatsu. “China has not been very successful in reforming its tax regime in tandem with its economy,” said Danny Po, the Asia-Pacific and China national leader in mergers and acquisitions tax at Deloitte. He cited as an example how to allocate profits between onshore and offshore transactions in e-commerce is a big question mark. William Chan, Partner at audit and tax advisory firm Grant Thornton added that it is hard to determine how and where to tax e-commerce. Deloitte's poll of 888 tax executives in 20 jurisdictions in the Asia-Pacific found slightly over 100 respondents saying Chinese tax officials were unfair in conducting tax audits. China had the second most respondents saying its tax audits were unfair, behind India. Over 200 respondents expressed low confidence in Chinese courts if their company could not reach an agreement with local tax authorities, which was the highest number of negative views on this question in the Asia-Pacific. The survey found China was expected to be the second most complex tax jurisdiction in the Asia-Pacific in the next three years, following India. However, China had the most respondents saying their company will spend more time and resources on tax management in the same period. “China does not yet have the very sophisticated tax system of many of its trade partners,” Joshua Colman, Senior Manager of tax policy at Ernst & Young concluded, as reported by the South China Morning Post.

- More mainland tourists are buying insurance in Hong Kong – spending HKD15 billion last year. Mainland tourists' share of new life insurance sold in the city grew to 16% last year from 13% in 2012, 9% in 2011 and 4% in 2010. Hong Kong insurance agents are barred from selling any products on the mainland, but mainlanders can buy policies from Hong Kong agents or banks when they visit the city. Savings-type life insurance policies in Hong Kong can usually deliver 4% to 5% annual returns, higher than the 1% to 2% offered by mainland policies.
- Small businesses will enjoy more tax breaks as part of the government’s efforts to address the pressure on economic growth. Any company with annual taxable income under CNY100,000 will have its business income tax halved starting from January 1 this year, until the end of 2016, a joint statement by the Ministry of Finance and the State Administration of Taxation (SAT) said. By the end of 2013, there were about 11.7 million small and micro companies in China, accounting for 76.6% of the total number of firms in the country, excluding small family businesses.
- The yuan is poised to recover from declines to prevent an exodus of capital. Nomura predicts a 3.5% advance to six per U.S. dollar by the end of this year, matching the median projection of analysts in a survey. The People's Bank of China (PBOC) had guided the yuan's 2.5% loss this year to help curb speculative bets on appreciation. Scotiabank forecast a year-end exchange rate of 5.98. The United States warned China that the recent depreciation of the yuan could raise “serious concerns” if it signaled a policy shift away from allowing market-determined exchange rates.
- Bad loans at Chinese banks may rise this year because of the government's efforts to eliminate excess capacity in some industries but the risk is controllable, Yan Qingmin, Vice Chairman of the China Banking Regulatory Commission (CBRC), said at the Boao forum. “The non-performing loan ratio of Chinese banks will likely be maintained at about 1% at the end of this year,” he said. The NPL ratio in the banking sector stood at 0.98% last year. The outstanding bad loans amounted to more than CNY700 billion at the end of 2013, and the banks had made provisions to handle CNY1.6 trillion, Yan said.
- Hong Kong banks, including HSBC, DBS, Wing Hang Bank and China Citic Bank International, are offering an interest of up to 3.8% per year on one-month deposits to attract more yuan as the exchange rate of the Chinese currency has been dropping. Hong Kong's yuan deposits amounted to CNY920.3 billion at the end of February, up 6.9% from the end of last year. Vivian Chan, Executive Director of DBS at Hong Kong, said some banks wanted to hold more yuan deposits in anticipation of a relaxation of the daily conversion limit.
- A report on micro-finance released at the Boao forum shows new loans by the banking industry to micro and small businesses increased by CNY2 trillion last year, about 23% of all new loans. These companies' outstanding loans stood at CNY13.2 trillion, or about 29% of all outstanding company loans.
- Deutsche Bank Economist Ma Jun, 50, is joining the People's Bank of China (PBOC) as Chief Economist of the Research Bureau, ending a 13-year stint with Deutsche Bank. “It is a great opportunity for me to be more involved in the next phase of economic reform, which I expect to be very aggressive,” Ma said. In a survey in January, Ma forecast 8.6% economic growth for the nation this year, the highest estimate of 50 economists. Ma worked as an Economist at the International Monetary Fund (IMF) and the World Bank from 1992 to 2000, and from 1988 to 1990 was a Research Fellow at the Development Research Center of the State Council.
- The International Monetary Fund (IMF) has warned of Hong Kong banks' rising exposure to mainland debt, saying loan growth to mainland entities has been “rapid” and now comprises 19% of local institutions' total assets – excluding loans to other banks. “The large exposure requires close monitoring and cooperation with mainland supervisors,” the IMF said in a report. The Hong Kong Monetary Authority (HKMA) has

informally cautioned the city's banks to tighten the approvals process on loans to mainland firms as China's clampdown on shadow banking might send lower-grade borrowers spilling into Hong Kong.

- The National Development and Reform Commission (NDRC) has launched a nationwide special inspection of new corporate bonds, mostly sold by local-government financing vehicles (LGFVs). LGFVs must repay CNY352.6 billion of debt this year, according to Everbright Securities, the most since the firm began compiling data in 2000. The NDRC usually conducts some special checks every year in areas it regards as risky or thinks regulations need strengthening.
- Australia & New Zealand Banking Corp opened a new sub-branch in the Shanghai pilot free trade zone (FTZ) during "Australia Week in China". It will offer a range of services in both foreign and local currencies.
- China's Deputy Finance Minister, Zhu Guangyao, said on the sidelines of the IMF-World Bank spring meetings in Washington it was a worry that more than 85% of IMF lending was currently focused on Europe. Zhu highlighted the importance of reacting quickly to any problems that arise in regions outside Europe, adding: "That is why IMF financial capacity has become so important."
- The Australian Securities Exchange (ASX) wants to introduce yuan-denominated capital markets products, including bonds. The exchange launched Australia's first yuan payment platform in February, according to ASX CEO Elmer Kupper. The Bank of China's Sydney branch issued CNY2 billion worth of yuan bonds last week, the first yuan bond in Australia. The two-year "Oceania Bond" has a coupon of 3.25%, and it was oversubscribed 1.45 times. The Bank of China (BOC) said it has applied to have the bonds trade on the Australian Securities Exchange.
- The Ministry of Finance failed to sell all the bonds offered at an auction last week for the first time in 10 months amid speculation that short-term interest rates will climb as corporate tax payments tie up funds. The Ministry sold CNY20.7 billion of one-year debt, less than the planned issuance of CNY28 billion.

FOREIGN INVESTMENT

Some approvals to invest abroad no longer needed

The National Development and Reform Commission (NDRC) has eased controls on Chinese companies' overseas investment. Chinese companies planning to invest less than USD1 billion overseas will only need to register with authorities rather than obtain approvals from the NDRC. The rule does not apply to investment projects in "sensitive countries, regions or sectors". Previously, Chinese companies planning to invest USD300 million or more in natural resources exploitation and USD100 million or more in other sectors would all be subject to approval from the NDRC.

- Premier Li Keqiang said his government will work to speed up the pace of trade negotiations for the Regional Comprehensive Economic Partnership (RCEP), trying to have the pact inked by 2015. At the opening ceremony of the 2014 Boao Forum for Asia, he called on all nations in the region to unite to promote trade liberalization and to facilitate investments. He also suggested a feasibility study be conducted on the proposed Free Trade Area of the Asia Pacific to maximize trade and investment interests in the region.

FOREIGN TRADE

China to import more agricultural products from U.S.

China will continue to purchase more agricultural products from the U.S. over the next several years, according to Peng Yufa, Researcher at the Beijing-based Chinese Academy of Agricultural Sciences. The U.S. became China's biggest supplier of agricultural products in 2013, shipping USD23.5 billion worth of grain, meat, fruit and dairy products to China, according to the U.S. Department of Agriculture. Last year, China imported 84 million metric tons of agricultural products from the world market, including 14 million tons of corn, wheat and rice, about 2.6% of the nation's total domestic cereal output. The country's soybean imports rose 8.6% year-on-year to 63.38 metric million tons, mainly from the U.S. and Brazil, and accounted for more than 80% of China's domestic demand. The USDA predicted that China will continue to be the U.S.' top agricultural export market in 2014, taking an estimated USD25 billion of its agricultural products. More than 124 million metric tons of corn and 11.7 million tons of wheat were consumed by Chinese livestock in 2013, showing a 5% and 7.2% increase, respectively, from the previous year, according to the Beijing-based China Feed Industry Association.

China's foreign trade drops in March

China's foreign trade in March was worse than expected with both exports and imports down, but some analysts said exports were probably stronger than they appeared. They said data suffered from comparison with last year, when exporters were thought to have reported inflated values for goods as a way to evade currency controls and bring extra money into the country. Exports fell 6.6% from a year earlier to USD170.1 billion, although the decline was less than February's 18.1% drop. Imports fell 11.3% to USD162.4 billion, compared with February's 10.1% increase. The trade surplus was USD7.7 billion, compared with a deficit of USD960 million in the same period of last year. China is forecasting annual trade growth of 7.5%, but so far this year, total exports and imports were down by 1%. New export orders in the official Purchasing Managers' Index (PMI) and the HSBC PMI rebounded significantly in March, suggesting conditions were improving. RBS Economist Louis Kuijs said in a report: "While the export data will add to worries among policy-makers and in the market about growth slowing down precariously or China losing competitiveness, we would caution against such interpretations." He said that with data distortions factored out, China's exports in March might have grown by as much as 5.2%.

- The Caofeidian industrial park in Tangshan city, Hebei province, applied to the central government in late February to set up a free trade zone (FTZ). It would become a distribution center for import-export commodities such as ore, oil, natural gas, coal, grain and timber for the region around the Bohai Bay. Caofeidian, located 220 kilometers east of Beijing, consists of a 16 square kilometer peninsula formed by a 4 sq km islet and a broad land passage reclaimed from the sea in 2000 for the use of the Shougang Group's iron- and steelworks which were moved from Beijing. Cheap land is Caofeidian's chief selling point with 210 sq km of industrial land. At least 30 other cities also want to set up FTZs.
- Arbitration rules for the Shanghai FTZ were published and will come into force on May 1. Litigants will be able to choose arbitrators outside the panel of mediators of the Shanghai International Economic and Trade Arbitration Commission. Another innovation is that companies involved in commercial disputes relating to less than CNY100,000 can apply for a summary procedure of arbitration, which is faster and costs less.
- China appealed the World Trade Organization (WTO) ruling issued at the end of March that U.S. anti-subsidy duties on non-market economies did not break WTO rules. The Ministry of Commerce (MOFCOM) asked the dispute panel to throw out part of the verdict. The WTO ruled that an amendment to the U.S. Tariff Act of 1930 did not contravene WTO rules. The amendment retroactively authorized its investigating authority to impose countervailing duties against countries it designated as non-market economies as of November 2006. The WTO now has 90 days to investigate the case and make a decision after the appeal is forwarded.
- Bright Dairy & Food Co, under pressure from a lack of raw milk, signed a supply agreement with Australia's Pactum Dairy Group for room temperature milk. An increasing number of Chinese dairies are looking for raw milk or milk manufacturers overseas to reduce costs. International prices of raw milk are often half of those in China. Shanghai-based Bright Dairy & Food's net profit rose 30.4% in 2013 to CNY406 million on strong demand, particularly for its fresh milk, yogurt and UHT milk products.

HEALTH

Health care reform offers opportunities

"China's health care reform has generated demand for more and better health care, with opportunities for private and overseas investment," said Huang Yanzhong, Senior Fellow on global health at the Council on Foreign Relations, a U.S. think tank. With annual sales of USD71 billion, China is the world's third-largest market for pharmaceuticals. As the annual growth rate of sales in the country is between 15% and 20%, twice the growth rate in the U.S., China is poised to become the second-largest market by next year, he said. McKinsey estimated China's health care spending would grow from USD357 billion in 2011 to USD1 trillion by 2020. The country's market for over-the-counter and branded generic drugs will leap from USD23 billion in 2010 to over USD369 billion by 2020, said Benjamin Shobert, Managing Director of Rubicon Strategy and Senior Associate of the National Bureau of Asian Research. On March 25, Premier Li Keqiang said efforts would be made to provide universal health insurance, while restrictions on foreign-invested health care companies would be reduced. Health care services would be extended to remote rural areas, while the government would apply pressure to prevent drug prices from rising excessively. But the Chinese government's pressure to keep drug prices low and a nationwide anti-corruption campaign would also pose challenges. Companies in the pharmaceutical and medical device industries would face heightened scrutiny of their operations and pricing practices in the near to medium term.

Cancer on the rise in China

Cancer has been on the rise in China and without timely intervention will become a major public health challenge, senior cancer experts warned. According to the 2013 Cancer Registry Annual Report, 3.09 million Chinese developed cancer and 1.96 million died in 2010. The estimates were based on data from 145 cancer surveillance sites in 24 provinces covering 158 million people and are highly reliable, said Chen Wanqing, Director of the National Central Cancer Registry under the National Health and Family Planning Commission. China accounted for 21.8% of the new cases worldwide in 2012, and for nearly 27% of the cancer deaths, about 8.2 million, according to the World Health Organization's World Cancer Report. In 2010, the incidence rate of cancer stood at 235 of 100,000 Chinese, with males and urbanites hit harder than females and rural residents. Belgium was among the countries recording the highest cancer incidence. China reported 148.8 cancer deaths per 100,000 in 2010. The most common types of cancer in China are lung, breast, gastric, liver, esophageal, colorectal and cervical cancer. Lung cancer alone killed 490,000 Chinese in 2010. "Cancer prevention and control should be increased at once," said Shi Yuankai, Vice President of the Chinese Academy of Medical Sciences Cancer Hospital.

- Two Beijing hospitals – You'an Hospital and Anzhen Hospital – have started to offer surgical insurance programs, following an increasing number of medical disputes. Unlike the medical liability insurance program, which is purchased by hospitals and their medical staff, surgical accident insurance is offered to patients or their family members.
- Researchers at the Erasmus University Medical Center in Rotterdam have found that the H5N1 bird flu virus needs only five favorable gene mutations to become transmissible through coughing or sneezing, like regular flu viruses, which could set off a devastating pandemic. It remains unclear whether the mutations are likely to happen outside the laboratory. H5N1 bird flu has killed 60% of the 650 humans known to be infected since it first crossed the species barrier in Hong Kong 17 years ago. Almost 100 people in China have died from the H7N9 bird flu strain in the first three months of the year.

IPR PROTECTION

IP protection for FIFA World Cup emphasized

Hangzhou customs and the IP authority, police and customs in Yiwu recently launched an IP publicity event about the upcoming FIFA World Cup in Brazil. It attracted many businessmen from the Yiwu small commodities market along with representatives of foreign soccer clubs and sporting goods makers. The event was part of a two-month campaign fighting IP infringement related to the World Cup.

MACRO-ECONOMY

Shanghai eclipses Beijing as preferred place of employment

Shanghai has eclipsed Beijing as the No 1 place of employment for Chinese university graduates, according to a recent survey by the career consulting company Universum, which polled more than 51,000 soon-to-graduate students from 103 universities across the country to discover their career expectations and preferences and how they perceive employers. Beijing, Shanghai and Guangzhou, unsurprisingly remained the top three destinations for aspiring graduates. Shanghai was found to have more job opportunities than Beijing. According to Universum, the average expected monthly salary for a university graduate is CNY6,564, down 2.9% from 2013. A record 7.27 million students will graduate in June from China's universities, surpassing last year's record of 6.99 million. A large number of Chinese students are also expected to return from overseas studies, intensifying competition for jobs this year.

Private entrepreneurs still wary of investing in state-dominated sectors

Although the central government is encouraging private companies to enter sectors traditionally dominated by state-owned enterprises (SOEs), most entrepreneurs were still reluctant, according to an informal survey by the Boao Forum for Asia. More than 30 entrepreneurs at a panel discussion were asked if they became more optimistic about the future of private enterprises after the Communist Party's Third Plenum in November. The plenum promised a “decisive” role for the market in the economy. Only just over 10% of the respondents in Boao said they are optimistic. More than half of the executives said they are waiting to see how things actually develop before they invest in state-dominated sectors. When asked what factors deter them from investing in SOEs, private entrepreneurs said the biggest obstacle is “overly low allowed equity shares”. Low profit margins came in second on the list. Private entrepreneurs considered finance, exploration of other natural resources and public services, the three sectors traditionally dominated by SOEs which would offer the most viable investment targets. Asked what sectors attracted them, regardless of SOEs' role, mobile internet and services for the elderly received the highest scores. Bao Yujun, President of the China Private Enterprises Association, said many private entrepreneurs believe that the promise to give private companies a greater role in the economy should be written into law as the party's policies might change in the future. According to the Boao survey, improving the legal environment and fundamentally changing the government's role are the most urgent measures required to promote private investment in state-dominated sectors. “We don't want favorable policies so much as we yearn for a level playing ground,” said one entrepreneur.

- Eleven city governments in Hebei province have contacted the central and Beijing municipal governments hoping to attract industrial enterprises that plan to move from Beijing. Hebei has about 200 provincial development zones. Locations further afield are also interested. Shanghai's Pudong district wants to attract biotechnology companies, while Tianjin, with its good harbor infrastructure, construction and research facilities, would like to draw logistics and R&D centers.
- Developing East Asian economies will grow more slowly than forecast this year as China's expansion moderates and political upheaval weighs on Thailand's outlook, the World Bank said. China would grow 7.6% this year, down from the 7.7% projected in October, while Thailand would expand 3%, 1.5 percentage points lower than its earlier forecast, the World Bank said in its East Asia and Pacific Economic Update.
- China will probably need to ease monetary policy for the first time in two years in the coming months to prevent the economy from losing too much momentum, according to Kevin Lai, Senior Economist at Daiwa Capital Markets in Hong Kong. Beijing has fast-tracked spending on railways and other projects in poorer regions and also cut taxes for small businesses, in what looks like a repeat of the fine-tuning that helped tide the economy over a soft patch last year. This time, though, Beijing will also need monetary easing such as the first cut to bank reserve ratios since May 2012.
- Despite recent softening economic figures, China's economy remains resilient and could maintain a growth rate of 7% to 8% in the next five years, Zeng Peiyan, Vice Chairman of the Boao Forum for Asia, said. He attributed the weakening investment growth in the first two months to the central government's control on local government debt, a curb on investment in a number of industries experiencing overcapacity, lower inventories, and volatility in the real estate market.
- Faku, a county near Shenyang, capital of Liaoning province, aims to become China's “light air capital” with an annual production of 1,000 light aircraft within five years, as well as a center for developing technology and talent in the industry. The Faku General Aviation Base is one of the largest in the country. The annual output value of the base is expected to reach CNY100 billion within five years. George Heintz (China)

Aircraft Manufacturing Co established a plant at the base with an investment of CNY1.65 billion.

- China's inflation rate accelerated to 2.4% year-on-year last month, driven by higher food prices. The increase was greater than the 2% recorded in February but marginally below economists' forecasts of 2.5% reported by Dow Jones Newswires. Food prices rose 4.1% in March from a year earlier. The Producer Price Index (PPI) dropped 2.3% in March, indicating less inflationary pressure in the future.

MERGERS & ACQUISITIONS

Private equity investment expected to rebound

Private equity investment in China is set to rebound strongly this year. About 80% of investors expect the private equity deal value in China to grow up to 25% in 2014, according to a Bain & Co report. 70% expected buyout activity to grow at a similar rate. "The private equity market in China is poised for growth this year as an upswing in late 2013 is expected to continue, economic growth is stable and exit activity is expected to increase in light of optimism in the initial public offering market," said Michael Thorneman, Bain & Co Managing Partner. In 2013, the deal value of private equity investment in China fell 30% to USD14 billion, even as the number of deals rose by 21%. The survey revealed that investors see healthcare, consumer products and retail, and technology as the top-three sectors for private equity investments in 2014.

Less Chinese businesses have M&A plans

Few Chinese businesses have merger and acquisition plans in the next three years because of increasing concerns over financing, a report by international accounting firm Grant Thornton showed. Only 10% of the Chinese businesses have M&A plans, a drop of 18 percentage points over last year. M&A activity in the China market saw a weaker performance in the first quarter of 2014. Statistics from China Venture revealed that 372 acquisitions took place in the first quarter, falling by 45.13% over the previous quarter and dropping by 43.81% over the same period of last year. According to the survey, 46% of China businesses believe retained earnings remain the primary financing source for M&As in the next three years, a rise by 10% from last year. The survey reveals that among Chinese businesses with acquisition plans, only 29% show interest in cross-border transactions, declining from 47% last year. When Chinese businesses' appetite for overseas M&A weakens, the desire of global businesses for cross-border acquisitions increases. The survey showed that 31% of the businesses globally expect to grow through M&As over the next three years, up from 28% last year, the China Daily reports.

- Nokia has received approval from Chinese authorities to sell its mobile phone business to Microsoft, adding that there had been no request for it to change its patent practices. Nokia agreed in September to sell the business to Microsoft in a €5.4-billion deal. But the Finnish company kept its patent portfolio, a promising source of future growth. Nokia said it still expected the Microsoft deal to close in April. Google and Samsung had asked Chinese regulators to ensure that the deal with Microsoft would not lead to higher licensing fees.
- Sanpower is buying a majority stake in British department store House of Fraser in a deal worth GBP480 million. Sanpower, a Nanjing-based conglomerate listed on the Shanghai Stock Exchange, will acquire an 89% stake in the 165-year-old British brand through its Nanjing Cenbest subsidiary. Yuan Yafei, Sanpower's Founder and Chairman, said the deal was the largest overseas acquisition in the retail sector by a Chinese business, and a "landmark transaction". House of Fraser currently has 60 stores in Britain and Ireland and one in Abu Dhabi.

PETROCHEMICALS

CNOOC is considering selling Bridas stake

CNOOC, China's dominant offshore oil and gas producer, is reportedly considering selling its 50% stake in Argentina's Bridas for which it paid USD3.1 billion, although analysts said it would be tough to find a buyer willing to give the Chinese firm a profitable exit. Adrian Loh, Daiwa Securities' regional head of oil and gas research said that the proceeds would not make much difference for CNOOC, whose net debt-equity ratio is not high. CNOOC had a net debt-equity ratio of 27%, lower than fellow state-backed PetroChina's 39% and Sinopec's 44%. Selling the Bridas stake means the firm would need to replace its output contribution, roughly 4% of its total, at a time when it is seen by some analysts as having difficulty reaching its goal to increase production by 6% to 10% between 2011 and 2015. An analyst with a European brokerage said it made sense for CNOOC to redeploy its resources away from Argentina to Brazil where it bought a 10% interest to drill for oil in the huge Libra deepwater project late last year. Argentina's low gas price and high oil and gas export tax made the country a less attractive place for investment compared with China, but CNOOC said in 2010 that Bridas would give it a toehold in Argentina. It hoped market liberalization would allow it to tap into the country's offshore projects and shale gas resources, the South China Morning Post reports.

- Experts said the protests against the construction of a PX plant in Maoming were unjustified. Xia Zhaolin, Professor of toxicology and a researcher on the effect of benzene on health at Fudan University, said he is surprised by the public's fear of PX as the country is producing large amounts of other chemicals that are far more toxic than PX, such as benzene and chloroethylene. The protest over the proposed PX plant in Maoming started on March 30 and escalated as residents clashed with the police.
- Russia is close to signing a deal to sell natural gas to China after at least 10 years of talks, and Moscow hopes it can be signed when President Vladimir Putin visits China next month, enabling it to go into force by the end of this year. The deal would also involve construction of a pipeline to carry 38 billion cubic meters of gas a year. Gazprom is hoping for a price of USD10 to USD11 per million British thermal units (mmBtu).
- China's crude oil imports fell to a five-month low last month, dropping to 5.54 million barrels per day (BPD) after three months of high imports. Imports were down 7.8% on a daily basis from 6.01 million BPD in February and up 2% year-on-year. In the first quarter of this year, crude imports rose 8.3% year-on-year to 74.72 million tons, or 6.06 million BPD, customs data showed. China's crude intake last month was the lowest since October, when imports dropped to a 13-month low of 4.81 million BPD.

REAL ESTATE

Second-hand home sales down, inventories up

Purchases of second-hand homes in Beijing reached a six-year low in March, Centaline Property Agency said. A total of 8,943 units were sold in March, accounting for just one-fifth of the 43,780 units sold the previous March. Prices went down, dropping 0.6% from February to CNY31,400 per square meter in March. E-house China Holdings said that property inventories in China's 20 biggest cities grew 16.3% year-on-year and 2% month-on-month in March to a combined 84 million sq m, a five-year high. Beijing, in particular, saw a 10% month-on-month increase in inventory, the most among the 20 cities. As one of the pillar industries in China, accounting for as much as 10% of the economy, a cool-down in the property market could have a significant impact on China's economy, which has seen its biggest slowdown in years.

- Pacific Century Premium Developments (PCPD) – a firm chaired by Richard Li, the younger son of Asia’s richest man Li Ka-shing – has sold Pacific Century Place in Beijing for USD928 million, nearly 30% lower than the asking price reported last year. The deal is the fourth Chinese property disposal by entities associated with the Li family since August. Li Ka-shing’s companies have already disposed of properties in major Chinese cities including Guangzhou and Shanghai. However, in late February Li Ka-shing emphasized his confidence in China’s property market. PCPD said it would continue to invest in China.
- Grade A office rents in Shanghai Puxi’s central business district (CBD) fell 0.9% in the first quarter quarter-on-quarter to CNY9 per square meter per day, global property services provider Jones Lang LaSalle said. They rose 1.6% from the last quarter of 2013 to CNY9.60 per sq m per day in the Pudong CBD, where vacancy rates were down to 3.5%, or the lowest level since the fourth quarter of 2007. Steady rental growth is expected throughout 2014 in the Pudong CBD, with some spill-over to Puxi.

In Pudong, robust demand was seen from domestic financial services companies and energy firms. A separate report from DTZ showed that inventory of Grade A offices exceeded 6.4 million sq m in the city as of the end of March.

- More real estate projects in Beijing's surrounding areas of Tianjin and Hebei were presented at the Beijing International Property Spring Expo this year. About 80 projects from Beijing's neighbors were represented at the expo, a significant surge compared with the autumn session, accounting for almost one-third of the domestic projects exhibited. Developers from the district of Wuqing in Tianjin are showing 20 projects, while those from the Hebei city of Zhangjiakou are offering a dozen.
- Chinese developers raised 49% less funds through trusts in the first quarter of the year as the collapse of Zhejiang Xingrun Real Estate highlighted default risks. Issuance of property-related trusts slid to CNY50.7 billion from CNY99.7 billion in the fourth quarter of last year.

RETAIL

Retail sales expected to remain soft

Retail sales in China are expected to remain soft for the rest of the year in the absence of government stimulus measures and the lack of spending support provided by minimum wage increases in several cities. Retail sales growth peaked at 22.7% in 2008 as Beijing introduced a series of stimulus measures, including subsidies to home appliance and car buyers, to encourage more consumer spending during the financial crisis. Yet retail market growth slowed to 13.1% last year, the lowest in eight years, after the stimulus measures gradually expired. Analysts said the growth figure this year would be even lower than last year. A study by the Capital University of Economics and Business and three other universities showed that the consumer confidence index dipped to 91.1 points in the first quarter this year, down 0.2 points from the previous quarter. In a separate study by financial service firm UBS, 52% of Chinese retailers said they have minor or no expansion plans this year, while nearly 20% are considering reducing store numbers. From this month, seven provinces and cities – Beijing, Shanghai, Shenzhen, Tianjin, Chongqing, Shaanxi and Shandong – raised their minimum wage by as much as 14.9% on average. In Beijing, the minimum wage was adjusted to CNY1,560 from CNY1,400 per month. The minimum wage rise would have little impact on overall consumption because it will mainly be spent on daily necessities, the South China Morning Post reports.

- Japanese retailer Ito Yokado Co is to close its Wangjing store in Beijing on April 25, with employees and goods withdrawn on May 15. Industry experts said fewer customers and a less-than-satisfactory performance are to blame for the end of eight years' operation. Ito Yokado has eight stores in the capital and five in Chengdu.
- Marks & Spencer plans to open wholly-owned flagship stores in Guangzhou and Beijing while deepening cooperation with online shopping platforms as part of its transformation in China. It will close some outlets in Shanghai and surrounding areas and will also seek local partners to expand in China. The company now operates seven outlets in Shanghai and five in the Yangtze River Delta region.
- Chinese consumers are more adept at online-shopping than their global peers, fueling a business trend of merging physical shopping with digital experience, PricewaterhouseCoopers (PwC) said in a report. Chinese consumers led the way in online shopping with more than 60% of those surveyed claiming they shopped weekly, compared with 21% for global respondents. The Achieving Total Retail report surveyed 15,000 online shoppers around the world in 15 countries and regions, including 900 in China.
- Chinese are now the second-biggest consumers of high-priced wine in the world, following the U.S. The new development comes on the back of a triple-digit percentage growth in the overall Chinese wine market – now fifth in the world. But the industry expects that growth to be trimmed in coming years as the market matures amid Beijing's crackdown on extravagant spending. In 2008-2012 consumption grew by 134.3% but is forecast to grow by 33.8% from 2013-2017 in China, including Hong Kong. China topped France last year to become the world's largest consumer of red wine at 155 million nine-liter cases. About 90% of wine drunk in China is red.

SCIENCE & TECHNOLOGY

Shanghai launches website and app to attract foreign students

Shanghai launched a new English-language website and a mobile app to attract more international students. The app, "Study in Shanghai", represents the first social media platform of its kind in the country. The English website en.study-shanghai.org provides information on Shanghai's schools and campuses. By the end of 2013, more than 53,800 overseas students from 186 countries and regions studied in Shanghai, an increase of 30% over 2010.

STOCK MARKETS

Stock cross-trading pilot scheme launched

China launched a pilot program allowing cross-trading between the Hong Kong and Shanghai stock markets. In about six months, investors from China's mainland will get direct access to invest in selected companies listed on the Hong Kong exchange. Hong Kong investors will be allowed to trade shares of designated Shanghai-listed companies. The China Securities Regulatory Commission (CSRC) and the Hong Kong Securities and Futures Commission (SFC) said in a joint statement the program will boost the attractiveness of both markets to international investors and consolidate the two cities' roles as financial centers. Under the program, cross-border investment would be subject to quotas. Hong Kong investment in the mainland market will be limited to an aggregate quota of CNY300 billion and a daily quota of CNY13 billion. Mainland investment in Hong Kong stocks will be limited to an aggregate quota of CNY250 billion and a daily quota of CNY10.5 billion. The trial will be limited to companies dual-listed on the Shanghai and Hong Kong exchanges as well as blue-chip companies tracked by the SSE 180 Index, SSE 380 Index, the Hang Seng Composite LargeCap Index and the Hang Seng Composite MidCap Index. For mainland investment in Hong Kong stocks, the trial is only open to institutional investors and individual investors with asset of no less than CNY500,000. There is no threshold for investors in Hong Kong.

Chow Chung-kong, Chairman of the Hong Kong Exchange, said 266 Hong Kong-listed shares would take part in the scheme, along with over 560 stocks listed in Shanghai. Hong Kong Chief Executive Leung Chun-ying said the Hong Kong government would take on an oversight role to protect investors. Analysts said the program represented progress towards making the yuan freely convertible since Chinese investors on the mainland will use the currency in an offshore market. "The landmark agreement gives global investors greater access to China's extraordinary growth story, and allows Chinese savers to diversify their holdings," said Peter Wong, Deputy Chairman of HSBC Corp. Allowing mutual investment would improve the investor profile of the Shanghai exchange by bringing in Hong Kong investors who are more value-oriented, Lu Wenjie, Equity Strategist at UBS, said, as reported by the Shanghai Daily. The Shenzhen Stock Exchange has not yet been included in the program.

- Five brokerage firms – CITIC Securities, Guotai Jun'an Securities, Ping An Securities, Great Wall Securities and Hua Chuang Securities – were given permission to pilot online securities business, marking China's first official approval. Online securities will make opening accounts easier by allowing online registration. The five brokerages join Sinolink Securities, which together with Tencent, offered the sector's first online brokerage service, Yongjinbao, in February.
- Shares of troubled Chinese solar company Shanghai Chaori fell by their daily limit after they resumed trading for the first time since the firm's bond default. The tumble also came after a bondholder sought bankruptcy restructuring. The company's shares had been suspended since February 19. Chaori became the first Chinese firm to default on its onshore corporate bonds when the company failed to make a full interest payment due on March 7.
- Citic Securities is about to launch a prototype real estate investment trust (REIT), which is to be listed on the Shenzhen Stock Exchange's block trading system. Investors will be paid dividends from rents earned by the underlying properties – two office buildings owned by Citic. The two properties – one in Beijing and the other in Shenzhen – are worth a combined CNY5 billion and have 100% occupancy rates. The Citic product is not the same as the REITs traded on overseas markets, which are sold through public offerings and are publicly traded.

TRAVEL

China Railway to boost overseas business

China Railway Group aims to nearly triple its overseas orders and revenue within three years, driven by the government's "high-speed-rail" diplomacy. One of the country's two dominant railway builders, the state-owned firm aims to boost its overseas orders to USD20 billion by 2016 from USD7 billion last year, and raise its overseas revenue to USD10 billion from USD3.72 billion. The central government had been pushing for cross-border railways to neighboring Southeast Asian nations like Myanmar, Cambodia and Vietnam, said Yu Tengqun, China Railway's Board Secretary. But in March, Thailand's Constitutional Court ruled as unconstitutional legislation to finance the government's rail and logistics plan, which included high-speed-rail links between northeast Thailand and southern China through Laos. Listed both in Shanghai and Hong Kong, China Railway had been on the verge of signing some overseas deals, which were suddenly shelved. Rail lines from China to Laos and Myanmar had a good chance of starting construction soon. China plans to invest CNY720 billion in its railways this year, covering the construction of 48 projects. The railway operator also plans to put more than 7,000 kilometers of new lines into use this year. Rail investment rose 9% to CNY61 billion in the first quarter.

First Sino-foreign travel JV approved in Shanghai FTZ

China has approved the first Sino-foreign joint venture travel agency to operate in the Shanghai pilot free trade zone (FTZ) and organize overseas tours. The Mediterranean Travel Agency Co has been approved by the China National Tourism Administration (CNTA) to register in the FTZ. Taiwan is not included in the destinations to which it can organize tours. Other travel agencies are waiting for approval. Mediterranean Travel was set up by a Shanghai company and MSC Cruises in 2009 with a registered capital of CNY5 million and previously operated as MSC's ticketing agent. Chinese-foreign joint ventures are not allowed to operate overseas tours if they are registered outside the Shanghai FTZ. Talks are taking place on whether to grant approval to operate overseas tours to foreign-funded firms in the zone if they meet certain criteria, said Yang Jinsong, Director of the Shanghai Tourism Administration.

- Construction on a new railway bridge connecting China and Russia started on February 26, the first across the 2,981-km border shared by Heilongjiang province and Russia. With an estimated investment of CNY2.6 billion from China, the Tongjiang Railway Bridge is scheduled to be finished in 2016. The link between Tongjiang city and Russia's Jewish autonomous oblast Yevreyskaya has a total track length in China of 31.62 kilometers.
- Cathay Pacific Airways will launch flights between Manchester and Beijing. The airline will operate four weekly flights with Boeing 777-300ER jets from December 8. The Cathay deal comes less than a month after Birmingham Airport in central England announced that China Southern Airlines would offer charter flights to Beijing between July 22 and August 5, using a 248-seat Airbus A330 plane.

VIP VISITS

Australian PM pushes trade agreement

China and Australia pledged to intensify efforts to conclude a free trade agreement (FTA), as Premier Li Keqiang met Australian Prime Minister Tony Abbott in Sanya, Hainan province at the Boao Forum for Asia. Li said China is expecting Australia to continue providing a fair and competitive environment for Chinese companies doing business in that country. It is the first time Abbott visited China as Prime Minister of Australia.

- China and Laos pledged to speed up talks on railway construction, Premier Li Keqiang and visiting Lao Prime Minister Thongsing Thammavong announced after meeting in Sanya, Hainan province. China has become the largest investor in Laos with over USD5 billion invested in the country. In 2013, the value of trade between Laos and China reached USD2.03 billion, a year-on-year increase of almost 30%.

ONE-LINE NEWS

- XCMG Construction Machinery Co, one of the top domestic producers of heavy equipment, has reported declines in revenue and net profit for 2013. Net profit sank 38% to CNY1.51 billion, following a 27% slump in 2012. Total revenue declined 16.1% to CNY27 billion. Output fell by 12.7% last year, but inventories still rose about 3%.
- A Ming-dynasty cup bearing a painting of a rooster and hen tending to their chicks has fetched a record HKD281.24 million at a Sotheby's auction. The antique, measuring just 8 cm in diameter, first set a world record for Chinese art 15 years ago. “There is no more legendary object in the history of Chinese porcelain,” Sotheby’s Asia Deputy Chairman Nicholas Chow said.
- A study by the National Bureau of Statistics (NBS) has revealed the impact of President Xi Jinping's belt-tightening measures, with the number of official banquets falling by as much as 50% last year. The campaign had also “set officials free” from attending banquets. County-level officials, who typically spent the most time at banquets among all ranks of government, on average attended 12.2 official banquets per week last year, compared to 18.2 per week in 2012.

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