法兰德斯中国商会 FCCC VCKK

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

# NEWSLETTER | 9 NOVEMBER 2015

## ADVERTISEMENT AND SPONSORSHIP

### Interested to promote your services/products to potential Chinese or Belgian clients?

We would like to offer our members the opportunity to promote your services/ products to potential Chinese and/or Belgian clients. We can promote these in many different ways via advertisement on our website, newsletters and events.

Below you can find the different possibilities:

- FCCC Weekly: This newsletter is published in English and contains economic & trade information on China, a calendar with China-events and career opportunities. It is sent every Monday to 2.700 Belgian business leaders doing business with China and to relevant institutions, embassies, federal and regional authorities as well as the Belgian and Chinese press. It is also sent to Chinese officials and companies based in Belgium.
- News from Flanders: Europe's Smart Hub: This is a quarterly newsletter published in Chinese and English. It contains articles on Flanders' business news, education and tourism. It is sent to over 2.000 Chinese and Belgian companies, Chinese national and local authorities, Chinese companies based in Belgium, Chinese press in Belgium. It is also sent to all FCCC member companies and Belgian and regional institutions.
- FCCC website contains publications, newsletters, activities, and a broad range of interviews with Chinese and Flemish companies sharing their experiences.
- FCCC Events. The FCCC regularly organizes seminars and other high level events. If you are interested, please send an email to info@flanders-china.be.

If you'd like to advertise on our website, newsletters and events, please check out our New advertisement and sponsorship opportunities.

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be

The Flanders-China Chamber of Commerce offers several advertising and sponsorship opportunities in order to give your activities more exposure to potential new clients and collaboration.

## FCCC ACTIVITIES

### Understanding China – Training Update – 12-13 November 2015 – Brussels

The EU SME Centre in partnership with Eurochambres and the EU-China Business Association (EUCBA) is organizing a two-day training programme in Brussels that will take a closer look at China's macroeconomic trends, new initiatives, financial market, EU-China Comprehensive Agreement on Investment and more.

The two-day training will take place on 12 and 13 November 2015 at the Thon Hotel EU, Rue de la Loi 75, 1040 Brussels.

If you work in an intermediary organisation that offers services for European companies to do business in China, this training will get you up to speed with the latest market news and business tools.

Day 1 Topics | 12 Nov, 08:30 - 19:00

- The slowing down of the Chinese Economy and the New Normal of 7% GDP growth - How do these affect European companies interested in doing business in China?
- China's changing demography, consumer behaviour, health care reform in China, emerging service economy and its geo-economic policy: a challenge or an opportunity?
- Reforms in China and the anti-corruption campaign – a thorough look inside – including examples and cases
- Set up in China in a view of recent legislation changes and update on upcoming new Investment Law as well as opportunities in the China (Shanghai) Pilot Free-Trade Zone
- Chinese Overseas Foreign Direct Investments – How should EU SMEs position themselves to attract Chinese OFDIs?

Day 2 Topics | 13 Nov, 9:00 – 17:30

- Stock market in China, Yuan devaluation, RMB internationalisation, shadow banking: How does all this affect European companies active in China?
- China's One Belt One Road Plan; Creation of the Asian Infrastructure and Investment Bank and the link to the Juncker Investment Plan: How can EU SMEs profit from it?
- EU-China Comprehensive Agreement on Investment (CAI): What are the public perceptions in Europe and China and where are the advantages for EU SMEs?
- Opening spaces: export opportunities for environmental technologies to China
- Made in China 2025: What is behind this new Chinese industrial policy and can it be beneficial to European SMEs?
- E-Commerce in China
- Exporting to China: New Quality and Safety laws

To view the full agenda, click here. Fee: €600.- (2-days training incl. accommodation costs). Register here. If you encounter any issues opening the registration form or have any questions about the training, please contact Mr Alexander Alles at Alexander.Alles@eusmecentre.org.cn

## Banquet & Seminar 'Business opportunities between China and Province of West Flanders' – November 23, 2015 – Bruges

The Province of West Flanders and the Flanders-China Chamber of Commerce (FCCC) in cooperation with POM West Flanders, Flanders Investment & Trade, Howest Confucius Institute and the Zhejiang Federation of Industry and Commerce are organizing a banquet and seminar on 'Business opportunities between China and West Flanders'. This event will take place on Monday 23 November 2015 at 11h45 at the Provinciaal Hof, Markt 3 in Bruges.

The programme is as follows:

Banquet

| | |
|---|---|
| 11.45 | Registration of the participants |
| 12.15 | Welcome by Carl Decaluwé, Governor of the province of West Flanders<br>The importance of the bilateral cooperation between West Flanders and Zhejiang by Zhang Lijun, Representative of the Embassy of China in Belgium |
| 12.30 | Lunch |
| 13.50 | Conclusion by Mr Jean de Bethune, Vice Governor of the Province of West Flanders |

Seminar 'Business opportunities between China and West Flanders'
Moderator: Stefan Blommaert, VRT

| | |
|---|---|
| 14.00 | Welcome by Mr Carl Decaluwé, Governor of the Province of West Flanders |
| 14.10 | Opportunities for doing business with China by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce |

14.30 Parallel workshop

- Workshop 'Business opportunities in West Flanders' by Mr Robrecht Declercq, staff member POM West Flanders
- Workshop 'Business opportunities in Zhejiang' by Mr Li Renzhi, Vice President Zhejiang Federation of Industry and Commerce

15.15 Coffee Break

15.30 Testimonials

- Mr Yu Dongsheng, General Manager, China Shipping
- Mrs Chai Hui, General Manager, ICBC
- Mr Francis Geeraert, Mangaging Director, V-Cons Group
- Mr Hans Feys, Managing Director, Pluviose
- Mr Xavier Vanneste, Managing Director, Halve Maan
- Mr Kurt Dobbelaere, Managing Director, European Trade Belgium

16.30 Conclusion by Jean de Bethune, Vice Governor of the Province of West Flanders

If you are interested in attending the banquet and/or the business seminar, please register online via the following link:
http://www.west-vlaanderen.be/inschrijven/Paginas/20151123_banket_en_seminarie.aspx

## ACTIVITIES SUPPORTED BY FCCC

### The 7th Europe Forum, 2015: "European Practice of Internationalization for Chinese Enterprises" – 13-14 November 2015 – Brussels

The Federation of Chinese Professional Associations in Europe (FCPAE), composed of 50 associations of Chinese professionals in over a dozen European countries and encompassing more than 20,000 Chinese professionals actively working in various areas in Europe, is organizing the 7th Europe Forum, 2015 – "European Practice of Internationalization for Chinese Enterprises" on 13-14 November 2015 in Brussels. In this year's forum, strategy experts, entrepreneurs and scholars across the European Union (EU) and China, representatives of Chinese professionals in Europe, as well as officials from the Chinese, EU and Belgium governments will be invited. They will join together to discuss a blueprint for the future of Sino-European cooperation and innovation.
Topics will include:

- Opportunities and challenges of internalization for Chinese enterprises
- Hot fields in Sino-European Cooperation
- Development of Low-Altitude Economy in China

Registration is open online (click here) before 30th of October, 2015. Due to limited space of the Forum, the organizing committee will only accept the first 120 registrations. The registration fee per person is €350, which covers the costs of conference organization, documents printing, lunches, banquet, transportation, translation, etc.

### The EU SME Pavilion at World of Food Beijing 2015 – November 18-20, 2015 – China National Convention Center, Beijing, China

China's demand for imported food and beverage products has been growing rapidly throughout the past few years, presenting unique opportunities for European SMEs in particular. To help more SMEs get to know the market, the EU SME Centre will set up an EU SME Pavilion at this year's World of Food Beijing, the largest international food & beverage trade fair in Northern China. SMEs can enjoy a preferential rate for the booth and benefit from exclusive premium services. The package will include:
- A booth with a preferential rate (282 €/sqm) within the EU SME Pavilion to give your brand maximum visibility, decoration included.
- Pre-Fair Services: A series of webinar trainings to get you ready for your visit to China and meeting with Chinese companies.

On-Site Services:
- Business-to-business tour connecting you with the largest Chinese grocers, retailers, distributors and e-commerce platforms
- A series of seminars covering intellectual property protection in China and essential legal

topics
- After Fair Services: Follow-up support from the EU SME Centre experts

If you are interested in joining the Pavilion and learning more about the package, click the link to register your interest: Register interest

About World of Food Beijing 2015: World of Food Beijing is an annual food & beverage trade fair powered by Anuga. Occupying a total area of 35,000 sq m, comprising 25,000 sq m of showcase area with more than 600 exhibitors, and 10,000 sq m of conference and activity zone, this event is poised to showcase a wide array of foodstuff such as fine foods and imported foods, dairy products, bread and bakery, meat and seafood products, frozen foods, sweets and snack foods, coffee and tea. More than 45% of the exhibitors will hail from abroad and over 24,000 trade visitors are to be expected. To learn more about the event, click here>

## Group business trip: China – Hong Kong – 28 November – 5 December

Flanders Investment and Trade (FIT) is organizing a group business trip to Hong Kong, Guangzhou and the Pearl River Delta (PRD) from November 28 till December 5. The PRD is a fast-growing, strong economic region, offering numerous opportunities for foreign companies. FIT is helping Flemish entrepreneurs to prepare to enter the Chinese market. FIT is also arranging a tailor-made program of appointments with potential business partners. The PRD is now surpassing Tokyo as the most urbanized area in the world. Its expansion is continuing, also in the economic field. The PRD accounts for about 20% of China's GDP, 40% of China's trade, and it is the richest region in China with the highest purchasing power. The population of the PRD in mainland China reaches 42 million. When taking Hong Kong into account, the figures are even more impressive.

For more information, contact: Michèle Surinx at michele.surinx@fitagency.be ; tel. 02-5048791 or Kristof Kuvelier at kristof.kuvelier@fitagency.be , tel. 02-5048742.

# PAST EVENTS

## Seminar: "An overview of the new legal environment for foreign companies in China" – 23 October 2015 – Brussels

The legal environment for foreign companies in China has been undergoing some important changes in recent years. Most of these evolutions are directly linked to the implementation of China's economic reform plan and of the rule of law, which is being promoted as an essential element thereof.

The Flanders-China Chamber of Commerce (FCCC) organized a seminar in Brussels on October 23 to discuss how these reforms affect daily operations of foreign companies in China.

The seminar was presented by Mr Philippe Snel, who has been practicing as a foreign lawyer based in Shanghai for the past 10 years, advising foreign companies about the intricacies of Chinese law. He shared some of his insights with regard to the reform and the practical consequences it has on foreign businesses in China.

His presentation dealt with such issues as: legal compliance and risk management, the growing importance of labor laws, the increased tax scrutiny on foreign companies, the implementation of strict regulatory frameworks for several industries (e.g. food, advertising), the influence of environmental protection laws and the promises of the China (Shanghai) Pilot Free Trade Zone.

## E-commerce in China: How to succeed in the Chinese market – 19 October – Brussels

The Flanders-China Chamber of Commerce, the EU SME Centre in Beijing and the EU-China Business Association organized a training course focused on 'E-Commerce in China: how to succeed in the fast-changing Chinese market?'. This event took place on 19 October 2015 at EUROCHAMBRES in Brussels.

China has become the world's largest e-commerce market. By 2020, the number of Chinese internet users is expected to reach 80% of the total population, and 70% will shop online. This one day course provided participants with expert insights and hands-on experience in doing online business in China, which they could apply in real-world projects.

## Seminar: Belgian Customs and its activities in China – 1 October 2015 – Ghent

The Flanders-China Chamber of Commerce and the Province of East Flanders organized a seminar focused on 'Belgian Customs and its activities in China' on 1 October 2015 in Gent. Following a word of welcome by Mr Geert Versnick, Vice Governor in charge of European and International cooperation and economic affairs; and an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce; Mr Eddy De Cuyper, Counsellor, Customs Attaché, Embassy of Belgium in China, gave a presentation on the Belgian Customs in China: legal aspects, procedures and experiences in relation to the Chinese customs.

The event was concluded by a question and answer session and a networking drink.

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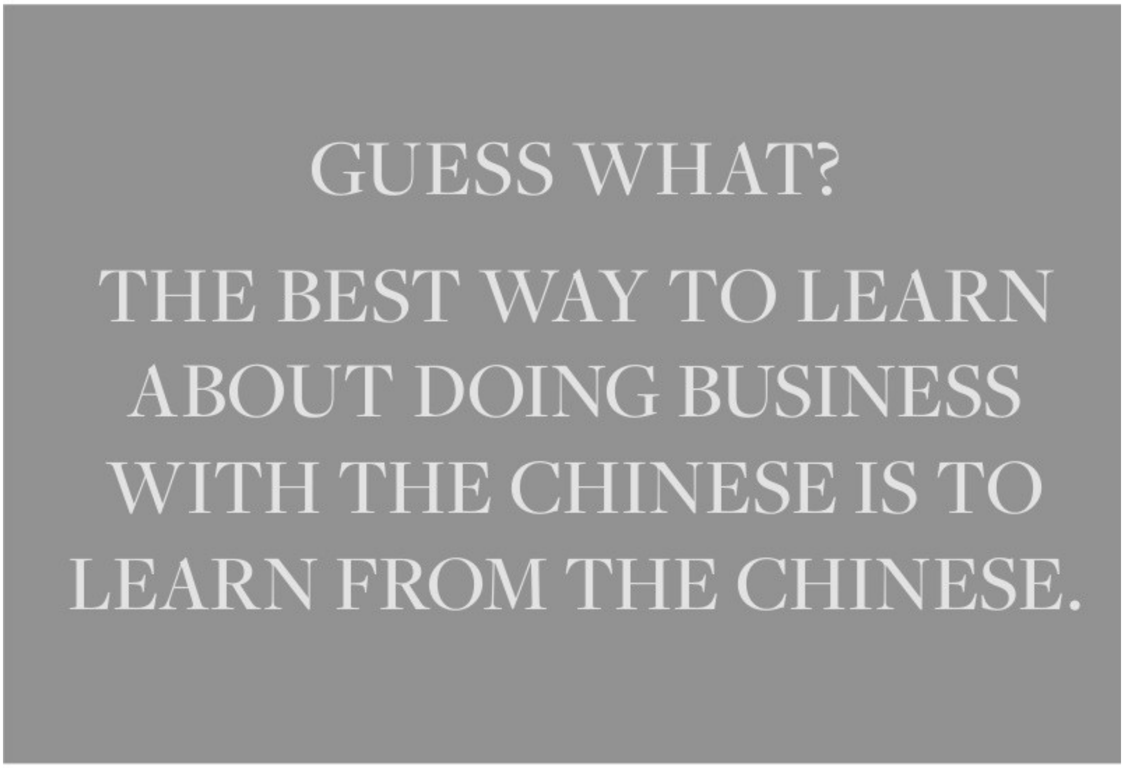
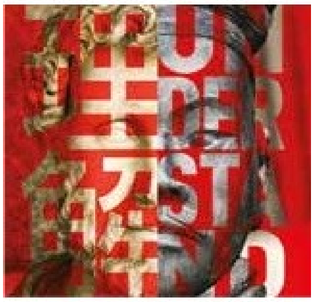
## An Executive MBA by IMD & CKGSB




All over the world, people are beginning to do business with China. All over China, people have been doing it for centuries. So, who better to help prepare you for China's increasing influence on the global marketplace? While the Chinese economy continues to grow, gaining expert knowledge from the other side of the business fence can give you an unquestionable advantage in leading the way between China and he world.

CKGSB: Cheung Kong Graduate School of Business and IMD business school can help you develop your understanding of China with a fully global perspective. CKGSB is recognized as China's world-class business school with an alumni base that accounts for 13.7% of China's GDP. Our world-class faculty represents many of the best minds from the U.S. and Europe's top business schools. IMD is a top-ranked business school.100% focused on executive education, IMD offers Swiss excellence with a global perspective. Together these two leading business schools have devised the Executive MBA program.



The Executive MBA by IMD & CKGSB is designed in two stages – the foundation stage and the mastery stage. The program will allow you to master Eastern and Western business concepts and practices whilst gaining all-important international connections. The program will also strengthen leadership, strategy and general management skills.

Made up of equal numbers of participants from both Eastern and Western businesses, the program will include 11 weeks of face-to-face learning. The program is scheduled to take place from February 2015 until September 2016 with a unique split of 50/50 program delivery across Eastern and Western locations. Delivered by two world-class business schools, the IMD-CKGSB Executive MBA is the ideal answer for fast-rising executives who want to create value for their organizations by spanning both East and West. You'll go beyond the basics to a true understanding of the forces that will be shaping the world of business in the future.

For admission details or further information visit imd.ckgsb.info

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## AUTOMOTIVE

### China boosts promotion of new-energy vehicles

The Central Committee of the Communist Party of China approved a document that emphasizes boosting technological innovations in the manufacturing of new-energy vehicles and promoting the use of electric cars, plug-in hybrids and fuel cell vehicles. Consulting firm PwC estimates the sales of new-energy vehicles in China will rise to 1.4 million units by 2020, about 20 times the total number of 2014, and about 3.75 million units by 2025. Statistics from the China Association of Automobile Manufacturers (CAAM) show that less than 140,000 units were sold in the first nine months of this year. “The Chinese market has been growing significantly since 2014. We predict that the next five to 10 years will be an important phase for the industry,” said Jin Jun, PwC China Advisory Partner. According to the government’s plan, China will finish building a charging network that can meet the demands of 5 million electric cars and plugin hybrids by the end of 2020. The document also stipulates that all parking lots at newly built apartments must offer charging facilities or ensure that such facilities can be installed later. Additionally, 10% of public parking lots must be able to install charging facilities, the China Daily reports.

- Zhu Fushou, former General Manager of Dongfeng Motor Corp, has been put under investigation for serious violations of discipline. He is alleged to have accepted bribes, infringed on state interests in property deals and taken a larger bonus than Communist Party rules allow.
- China will soon grant production licenses to new manufacturers of electric cars. Over 10 firms have submitted their applications for the exclusive permit to make new-energy cars, Minister of Industry and Information Technology Miao Wei said in Beijing. For the first time companies without a carmaking background can now apply for car production licenses that had been tightly controlled since 2009.
- Chinese automaker BYD officially branded its two-year trial run of electric taxis in Hong Kong as a failure. In 2013, BYD Chairman Wang Chuanfu said he expected the company to launch dozens of e6 electric taxis in Hong Kong by the end of that year. He predicted the number would grow to 1,000 by 2014 and 3,000 this year. But BYD has only launched 45 e6 cabs and three charging stations in Hong Kong – enough to cover 150 electric cabs. BYD has also made slow progress in pressing ahead with electric buses in Hong Kong, having received only 14 orders so far.

## FINANCE

### Chinese banks show mixed profit growth

Chinese banks present a divided picture with regards to the January-September profit growth. While large state-owned commercial banks announced net profit growth of less than 1%, city-based commercial banks listed on the Shanghai and Shenzhen stock exchanges posted double-digit growth in their net profit. Bank of Nanjing Co recorded a 24.48% growth in net profit. Bank of Ningbo and Bank of Beijing posted net profit growth of 16.06% and 12.26%, respectively. Analysts said city-based banks are more flexible in terms of asset allocation, compared with state-owned banks and are also able to select clients that provide higher returns, according to a PricewaterhouseCoopers (PwC) report released in September. Among the four largest state-owned lenders by assets, China Construction Bank (CCB) took the lead by posting a 0.66% growth in net profit, while Bank of China (BOC) ranked last with a 0.31% growth. Zhao Xijun, Deputy Dean of the School of Finance at Renmin University of China, said with the fall in overall lending rates and a continued increase in banks' costs of debt, looking for new engines of profit growth has become a major challenge for large commercial lenders, the China Daily reports.

## China ratifies AIIB agreement

The National People's Congress Standing Committee has ratified the Asian Infrastructure Investment Bank (AIIB) agreement, which establishes the legal framework for the bank. Lawmakers voted on the agreement at the closing meeting of the bi-monthly session. The ratification is a significant step closer to the AIIB's formal establishment slated for the end of 2015, as China is the bank's largest shareholder. Among the bank's 57 prospective founding members, 54 had signed the agreement as of last month, and the other three are expected to sign before the end of this year. All prospective members should have their legislatures ratify the agreement before the end of 2016 to formally become founding members. As long as at least 10 signatories, with capital contribution no less than 50%, obtain legislative approval, the agreement will become effective, Minister of Finance Lou Jiwei told lawmakers. Lou said Myanmar, Singapore and Brunei have received legislative approval, adding that China's ratification, with more than 30% in capital contribution, is crucial. The 60-article agreement outlines the financial shares of each founding member as well as rules for policy-making, governance structure, and business and operational systems, the Shanghai Daily reports.

- The renminbi should play a proper role in the world financial system in tandem with China's importance in driving global growth and international trade, senior policy advisers said, as they backed the currency's inclusion in the International Monetary Fund's Special Drawing Rights basket at the 2nd Understanding China Conference in Beijing. In his keynote speech to the conference, State Councilor Yang Jiechi voiced his appreciation for the countries that have supported the renminbi's inclusion in the basket.
- China raised the daily reference rate of the yuan by the largest margin in a decade, three months after a surprise devaluation. The People's Bank of China (PBOC) adjusted the central rate upward by 0.54% against the U.S. dollar. The increase was the largest since 2005 when Beijing unpegged the yuan from the dollar. "The yuan rose mainly because the market is responding to an increasing chance for it to be included in the SDR," said Liao Qun, Chief Economist of Citic Bank International. China now allows the yuan to trade up or down 2% from the centrally set daily rate on the domestic foreign exchange market.
- China's local government debt could continue to surge if the government sets an economic growth target above 6.5% in the next five years, Standard & Poor's Ratings Services warned, adding that it is most likely to cut ratings by up to two notches for China's building materials, real estate developers, metal and mining and transport industries. It is also likely to cut ratings by one notch for the nation's oil and gas, engineering and construction, and capital goods sectors.
- Zhang Yun, President of the Agricultural Bank of China, is being investigated for corruption. He has been with the bank for more than 30 years and was appointed Vice Chairman, President and Deputy Secretary of the Communist Party Committee at the bank in 2009. By the end of September, the Agricultural Bank's outstanding NPLs amounted to CNY179.16 billion, a 43% surge from the end of last year. Its NPL ratio also went up 48 basis points to 2.02%.
- The recent Plenum of the Chinese Communist Party's Central Committee agreed to make the yuan a "freely tradable and freely usable currency" by the end of the next five year development plan in 2020.
- British Consul General to Hong Kong Caroline Wilson and Macao's Secretary for Administration and Justice, Sonia Chan signed an agreement allowing MOP 350 million (Macao patacas) in illegal earnings from disgraced former Macao Public Works Secretary Ao Man-long to be transferred from Britain to the Macao government. It is the first time Britain has repatriated proceeds of crime under the UN Convention against Corruption, ratified by Britain in 2006. Ao, who is serving 29 years in jail for corruption and money laundering, had bank accounts in Macao, Hong Kong and Britain.
- Chinese commercial banks saw a 1.59% rise in the overall bad loan ratio at the end of the third quarter, the China Banking Regulatory Commission (CBRC) said. The 16 listed lenders had accumulated CNY908 billion in non-performing loans (NPLs) by September, according to their earnings reports filed to the stock exchanges. The NPL amount surged 33% from the end of 2014. But Liao Yuanyuan, Deputy Director of the

Policy Studies Bureau at CBRC, said that the overall risk of the banking industry is still under control.

- China has applied to become a member of the European Bank of Reconstruction and Development (EBRD) and the bank's board is expected this week to recommend approval of China's bid to the bank's shareholders. A decision is expected in mid-December.
- China's Vice Finance Minister Zhu Guangyao said that it is worth discussing whether the fiscal deficit ratio should be fixed below the ceiling of 3%, indicating the possibility of a more proactive fiscal policy in 2016. A rigid ratio requirement will not benefit reforms or growth, Zhu said.

## FOREIGN INVESTMENT

### Chinese SMEs ramp up investments abroad

China's small and medium-sized enterprises, which make up about 98% of businesses in the country, are becoming more aggressive in investing abroad, putting their expansion efforts on a fast track. "Over the past one to two years, a lot of Chinese SMEs have increased their investments overseas," said Zhang Gaobo, Founding Partner and Chief Executive at financial services group Oriental Patron, at the Power Dialogue segment of the South China Morning Post's China Conference in Hong Kong. Zhang expected this trend to continue, with more SMEs learning to be as savvy as larger Chinese enterprises in using mergers and acquisitions, as well as joint ventures to significantly boost their operations abroad. With the participation of more SMEs, Chinese outbound direct investment (ODI) was expected to ramp up in the United States and the European Union member states over the next few years. Chinese companies spent nearly USD46 billion in the U.S. on new businesses and acquisitions from 2000 to last year, according to research firm Rhodium Group. Strong protection of intellectual property rights, a large talent pool and so-called innovation clusters, such as California's Silicon Valley, were the major draws in the U.S. for Chinese companies. Annual investment by Chinese companies in EU member states soared to €14 billion last year from virtually zero in 2000, according to a separate report on Chinese outbound foreign direct investments in Europe by Rhodium researchers Thilo Hanemann and Miko Huotari. Germany's advanced manufacturing capabilities were the biggest attraction for Chinese investors as automotive and industrial equipment accounted for more than 65% of total Chinese investment since 2000, the South China Morning Post reports.

- Nuclear plant operator China National Nuclear Corp (CNNC) said it was considering taking a minority stake in French nuclear group Areva. CNNC said it has already inked an agreement with Areva that will cover the entire cycle of nuclear fuel activities, including uranium mining, front end, recycling, logistics, decommissioning and dismantling.
- Nicaragua has given the green light to HKND Group, a privately held Chinese company, to start work on an ambitious USD50 billion inter-ocean canal project. Major work on the 276-kilometer canal, which will connect the Pacific Ocean to the Atlantic Ocean through the Central American country, is expected to start next year.

## FOREIGN TRADE

### China becomes the United States' top trade partner

China replaced Canada for the first time as the United States' top trade partner between January and September, figures from the U.S. Department of Commerce showed. Trade volume between China and the U.S. hit USD441.6 billion in the first three quarters of the year, surpassing the USD438.1 billion in trade between Canada and the U.S., the Commerce Department reported in Washington. The change mainly reflected declining prices for commodities, such as crude oil. The value of U.S. oil imports fell to the lowest level since 2004, and crude oil is Canada's largest export, while U.S. demand for higher value-added goods from China has increased. "This is a milestone for China's exports and reflects an inevitable shift from shipping low-end goods such as toys and clothes to higher value-added products," said Li Guanghui, Vice President of the Beijing-based Chinese Academy of International Trade and Economic Cooperation. "As China is upgrading its manufacturing structure, its fast-growing industries such as big data, high-speed rail equipment, household digital and intelligent devices, and interactive and ultrahigh-definition electronic products will be the main goods to be shipped to the U.S. over the next decade," said Li. Chinese companies' investment in the U.S. also jumped 51% year-on-year to USD6.35 billion in the first half of this year, the China Daily reports.

## Foreign trade shrinks 7.9% in first three quarters

In the first three quarters, China's foreign trade sank 7.9% year-on-year to CNY17.87 trillion, with exports down 1.8% to CNY10.24 trillion and imports off 15.1% to CNY7.63 trillion. The trade surplus surged 82.1% to CNY2.61 trillion. The drop was mainly due to the sluggish global economy, high costs and slumping commodity prices. Data from the World Trade Organization (WTO) showed global exports fell 10.9% year-on-year in the first seven months. China's exports fell 3.6% year-on-year to CNY1.23 trillion in October. The decline was larger than the 1.1% recorded in September. Imports, meanwhile, slumped 16% to CNY833.1 billion, following a 17.7% drop a month earlier. As a result, the trade surplus in October rose 40.2% year-on-year and 4.5% from September to CNY393.2 billion. In the first 10 months of the year, China's trade fell 8.1% to CNY19.93 trillion, with exports down 2% to CNY11.46 trillion and imports down 15.2% to CNY8.47 trillion. The trade surplus for the January-October period surged 75.3% from a year earlier to CNY2.99 trillion. The European Union remained China's largest trading partner in the first 10 months, though the trade total fell 7.9% year-on-year to CNY2.87 trillion. Trade with the U.S. rose 2.4% to CNY2.85 trillion, while trade with Japan dropped 10.7% to CNY1.42 trillion.

- China National Cereals, Oils and Foodstuffs Corp (COFCO), the country's largest food trader, is planning to import 3.5 million metric tons of grains every year through a tie-up with China Shipping (Group) Co. It plans to launch five new shipping services before the end of this year between China and South America. The new lines are expected to be used to transport more soybean, corn, beef and other agricultural products to China. China Shipping is keen to deploy more environmentally friendly Panamax bulk carriers and form an international fleet to work with COFCO.
- The expansion of the China (Shanghai) Free Trade Zone (FTZ) has brought growing demand for judicial protection, in which civil and commercial cases involving intellectual property are commonly seen, according to a white paper by the Shanghai Pudong New Area People's Court. From November 2014 to October, the court handled 6,423 cases involving the FTZ, including 4,947 civil and commercial cases, a more than six-fold increase year-on-year. "The sharp rise of commercial cases reflects the increasing demand for judicial protection with the expansion of the FTZ," said Court President Zhang Bin.
- Buyers at the Canton Trade Fair, which ended last week, saw contract values fall 7.4% from the last fair with attendance also declining.

# HEALTH

## Approvals of new drugs to be eased

China launched a three-year pilot scheme to ease approvals for new drugs to help stimulate innovation in the country's pharmaceutical sector. The trial, taking place in 10 regions, will allow research and development (R&D) bodies to seek drug approvals, which are currently restricted to drug manufacturers, the China Food and Drug Administration (FDA) said in a statement. The current rules make it hard for smaller, research-based companies to bring new drugs to market as they need to invest in expensive manufacturing plants before seeking approval. In the long term, the scheme could create stronger local businesses.

# IPR PROTECTION

## Campaign launched to crack down on Disney counterfeits

China will give special trademark protection to Walt Disney Co as it prepares to open its first theme park in Shanghai next year. Authorities will carry out a year long campaign to crack down on Disney counterfeits, the State Administration for Industry and Commerce (SAIC) said, underlining wider concerns that fake products are damaging the country's reputation. "This will promote the development of a fair and competitive market, and protect China's international image for safeguarding intellectual property rights," SAIC said in a statement, adding that the "special operation" would run until October 2016. The SAIC plans to create "emergency teams" to help protect Disney trademarks, increase training for officials to spot illegal behavior and enhance scrutiny of Disney counterfeits online.

## MACRO-ECONOMY

### Services sector grows the fastest in three months

Activity in China's services sector grew at its fastest pace in three months in October. The Caixin/Markit Purchasing Managers' Index (PMI) rose to 52.0 in October from September's 14-month low of 50.5, hitting the highest level since July 2015. "This shows that previous stimulus policies have begun to take effect, while the economic structure steadily improved," said He Fan, Chief Economist at Caixin Insight Group. Still, business expectations dropped to a record low in October. The overall Caixin China Purchasing Managers' Index stood at 48.3 last month, up from 47.2 in September, to reach a four-month high. The October figure also marked the first rebound since June. The PMI complemented October's reading of 49.8 in the official PMI, which is more oriented toward state-owned manufacturing companies. That performance was flat from September's reading and ended a four-month deterioration.

- Chinese President Xi Jinping reportedly said that the Chinese economy should grow at least 6.5% yearly for the next five years in order to double both China's aggregate GDP and per capita income by 2020 compared with 2010 levels. Justin Lin, Economics Professor at Peking University, said that means that China's per capita GDP would reach USD12,000 from the current USD7,000.
- China's ambitious national emissions trading scheme is a "game changer" in the long term but current power prices and high equipment costs will make it hard for the renewable energy sector to benefit from it in the foreseeable future, analysts said. The new scheme would cover "key industry sectors such as iron and steel, power generation, chemicals, building materials, paper-making, and non-ferrous metals". Experimental programs have been introduced to seven provinces since 2012.
- All provinces, autonomous regions and municipalities in China will issue plans for the reform of the household registration (hukou) system before the end of this year in a move to promote a reasonable flow of the country's rural population to urban areas and allow them to enjoy equal rights with city dwellers, Xu Shaoshi, Chairman of the National Development and Reform Commission (NDRC) announced. "Allowing more migrant workers to become urban residents is a core target for urbanization," he said.
- The Chinese government has published guidelines to adapt the management of state-owned enterprises (SOEs). It plans to establish investment firms to manage state-owned capital, separating ownership from management. China will also cut outdated and excessive capacity of SOEs and dispose of inefficient assets. State capital will be removed from some SOEs, while others will be restructured or upgraded.

## MERGERS & ACQUISITIONS

### Alibaba Group acquires Youku Tudou

Alibaba Group agreed to buy Youku Tudou for about USD3.7 billion, slightly more than what it had offered in October. The deal will give Alibaba access to more than half a billion online video users, accelerating its push into the Chinese digital media market. Alibaba held 18.3% of Youku Tudou as of October 16, when it made its initial offer of USD26.60 per American Depository Share (ADS). The new offer values the rest of Youku Tudou at about USD4.8 billion. The new offer represents a premium of 35.1% over Youku Tudou's closing price on October 15. Youku Tudou Chief Executive Victor Koo, a Bain & Co alumnus who owns about 18% of Youku Tudou, will remain CEO of Youku Tudou after the deal closes in the first quarter of 2016. Formerly bitter rivals, Youku merged with Tudou in a deal worth over USD1 billion in 2012. Alibaba has made a number of significant investments in digital media in China in the past couple of years. In March 2014, it agreed to buy a controlling stake in China Vision Media

Group for USD804 million to get access to TV and movie content. The company is now known as Alibaba Pictures. A month later, Alibaba said it would pay about USD1 billion for a 20% stake in Wasu Media Holding Co.

- China Life Insurance (Group) Co has helped financing the all-cash USD4.55 billion acquisition by Singapore-listed Global Logistics Properties (GLP) of a controlling 66% stake in Industrial Income Trust, a Denver-based industrial real estate trust.



**RETAIL**

## Imported goods face tighter customs inspection

China's tightening of customs inspections on imported goods bought by individual shoppers is expected to deal a blow to its massive "daigou" industry, the practice of shopping on behalf of someone else. Now the Customs Administration is levying import taxes, making it increasingly difficult to find buyers at the higher prices. It is also taking a much longer time for packages to arrive. The General Administration of Customs said it had not implemented any special measures in dealing with international parcels by daigou agents, and all the inspection measures were based on existing customs regulations. China's daigou business has been booming in recent years, boosted by consumers' growing appetite for high-quality food and daily products at lower prices. Global consultancy Bain & Co estimated the market size of the daigou business last year was between CNY55 billion and CNY75 billion. Hot items include luxury products from Europe, baby milk powder from New Zealand, diapers from Japan, nutritional supplements from the United States and skincare products and cosmetics from South Korea. The number of international parcels passing through Chinese post offices, including import and export, reached 430 million between January and September, up 66% from a year ago. "In the past, customs officers tended to turn a blind eye on imported parcels, which were often claimed at a much lower value than they really were. But now, customs officers in many port cities are working closely with local postal offices, opening up every parcel to check and verify the claimed information on them," one source said.

- More than 40% of goods sold online in China last year were either counterfeits or of bad quality, according to a report submitted to the Standing Committee of the National People's Congress (NPC). The report called for "accelerated legislation in e-commerce, improved supervision and clarification of consumers' rights and sellers' responsibilities". Online shopping company Alibaba has rejected government suggestions that it is not doing enough to stop fakes being sold on its platforms.

Customer complaints about online orders hit 77,800 last year, a steep jump of 356.6% on 2013.

## SCIENCE & TECHNOLOGY

### China popular for MNCs R&D activities

China has become the most popular destination for research and development (R&D) activities by overseas companies thanks to the presence of a high-growth market and key manufacturing sites, according to a new survey conducted by Strategy&, a unit of PricewaterhouseCoopers (PwC). Total R&D investment in China has risen to USD39.4 billion to date, a 3,285% growth from the USD1.2 billion a decade ago. The 2015 Global Innovation 1,000 Study was the 11th consecutive report published by the firm. The report said the total R&D spending of the top 1,000 global companies increased 5.1% to USD680 billion this year till date. There are 123 Chinese companies now on the global top 1,000 list, nine more than last year. In 2005, there were only eight Chinese companies in the top 1,000. The total R&D spending by Chinese companies' surged 31.6% year-on-year this year, accounting for 5.8% of the total. From 2007 to this year, the total R&D spending by overseas companies and institutions in China rose by 79%, mainly as a result of United States companies' investment. China has overtaken Germany and Japan to become the second-largest destination for in-country R&D, at USD55 billion. About 71% of the survey respondents said proximity to a high-growth market is the major reason for moving R&D functions to Asia, especially to China. Proximity to key manufacturing sites and to key suppliers, as well as lower development costs, are also reasons for moving to China. The quality of the R&D results reached in China has also been increasing over the past few years as the complexity of the patent applications made by multinational companies in China has risen considerably. The largest Chinese R&D spender is PetroChina Co, with total investment reaching USD2.1 billion, the China Daily reports.

- Chinese scientists have moved a step closer to being able to run a nuclear reactor without generating a chain reaction, a development that could remove the risk of a meltdown while also getting rid of nuclear waste in a faster and safer way. The Chinese team experimented with a new approach to resolve both issues by working on proton beams that could potentially be used in a sub-critical reactor.
- China plans to build a series of world-class universities and disciplines in five years time. The new policy is expected to tackle problems such as redundant construction and lack of competition that were brought about by the current “985” and “211” higher education programs. The “211” project, launched in 1993, aims to build 100 universities for the 21st century. Project “985” was named when then-president Jiang Zemin gave a speech in May 1998, and called for China to build a number of key universities in China.

## STOCK MARKETS

### 30 tycoons cash out CNY86 billion

Despite the stock market slump in China, 30 tycoons made a total of CNY86 billion selling shares and in dividend payouts over the past year, according to the Hurun Cash Out Rich List report. The total cashed value among the top 30 tycoons on the list more than doubled compared with the CNY36.3 billion made in the same period the previous year. The report was published for the ninth consecutive year and the data was collated between July 1 last year and August 14 this year. The Chairman of the property company Hopson Development, Zhu Mengyi, and his family topped the cash-out list selling holdings in Shanghai Electric Group, held under an investment company, for CNY8.2 billion, the report said. The family ranked 49th in the latest Hurun Rich List with an estimated fortune of CNY30 billion. Wen Yibo, Chairman of Shenzhen-listed water and waste treatment company Sound Environmental Resources, and his wife Zhang Huiming, ranked in second place as they sold their shares in the company for about CNY7 billion in the first half of this year. Chen Tianqiao, the online game pioneer who founded Shanda Games, and his wife Luo Qianqian, sold their stake in the company for CNY6.2 billion over the past year, taking third place in the list, the report said. Ranking in fourth place, Xu Jiayin, Chairman of Evergrande Real Estate, received CNY4.3 billion in dividend payouts from the company. Among the 30 tycoons on the cash-out list, 30% are active in the real estate sector. Rupert Hoogewerf, Hurun Report Chairman and Chief Researcher, said the 30 tycoons on list were the real rich people in China as they had cash in hand, the South China Morning Post reports.

- Xu Xiang, General Manager of the Shanghai-based private equity firm Zexi Investment, has been detained and is being investigated by the police on suspicion of insider trading and market manipulation. Analysts said that the case could herald a fresh round of crackdowns on financial crimes. Xu, 37, was considered a legendary investment figure on the Chinese stock market, since his firm managed to repeatedly outperform the market with investment returns exceeding 300%.
- Police arrested several executives of Yishidun International Trade Co, registered in Jiangsu province, and Shenzhen-based futures brokerage China Fortune Futures. They are suspected of manipulating the stock index futures market by using a high-frequency trading strategy and reaping illegal profits of more than CNY2 billion.
- Europe's biggest bank HSBC Holdings has agreed to establish a 51%-owned securities joint venture in China with Shenzhen Qianhai Financial Holdings Co. HSBC has an advantage over other foreign banks as it owns a Hong Kong-based banking subsidiary, The Hongkong and Shanghai Banking Corp. Ownership of securities JVs for other foreign banks is capped at 49% and they are restricted to underwriting stock offerings. If approved, it would be the first majority foreign-owned securities company in China, allowed to engage in the full spectrum of securities business.
- China will resume initial public offerings (IPOs) and end a four-month freeze. The China Securities Regulatory Commission (CSRC) plans to restart IPOs before the year end, Spokesman Deng Ge told a media briefing. Ten of the 28 companies which had gained listing approval before the suspension went into effect would be the first to list, Deng said, adding that these companies have two weeks to prepare for the IPOs. The remaining 18 will go public by the end of the year. More than 600 companies are still waiting to list shares on the Shanghai and Shenzhen stock exchanges.
- A report that the Shenzhen-Hong Kong stock connect would be launched this year – despite widespread market expectations it would be delayed to 2016 – caused a brief upsurge in the Chinese and Hong Kong stock markets. The remark was attributed to Zhou Xiaochuan, Governor of the People's Bank of China (PBOC), but it was later reported that he made the remarks on May 27, before the stock market slump. The China Securities Regulatory Commission (CSRC) was still working on the scheme and was not prepared to issue a timetable for rolling it out. China started the Shanghai-Hong Kong stock connect in November 2014.
- Guangzhou Evergrande Taobao Football Club, a five-time Chinese Super League winner, has become the first club both in China and Asia to go public on the stock market. The club issued 375 million shares on the New Third Board. Launched in late 2012, the board has so far attracted about 2,500 firms, with 77% of them in technology and innovative businesses.

## TRAVEL

### C919 passenger plane rolls off assembly line

The C919, China's first domestically developed large passenger aircraft, has rolled off the assembly line in Shanghai. The plane, which aims to compete with the Airbus 320 and Boeing 737 globally, is ready for ground tests and is expected to make its maiden flight next year. Vice Premier Ma Kai said at the rollout ceremony: "The research and development of a big passenger aircraft is a complex systematic engineering project, and the rollout is an important milestone for this project." Jin Zhuanglong, Chairman of Commercial Aircraft Corp of China (COMAC), which built the C919, said the aircraft will soon face a wide range of tests. Li Jiaxiang, Director of the Civil Aviation Administration of China (CAAC), said 2,635 civil aircraft had been registered so far this year, but only 23 were domestically manufactured. "There is an urgent need to make China strong in civil aviation," Li added. The C919 has received 517 orders from 21 clients globally. Minister of Industry and Information Technology Miao Wei said the aircraft's rollout marks a solid step in thoroughly implementing the "Made in China 2025" strategy and accelerating the nation's progress to becoming a strong manufacturer. The jet can seat between 158 and 174 passengers and has a standard range of 4,075 kilometers.

## China Eastern to start test of wi-fi service

China Eastern Airlines will this week become the first domestic carrier to provide a 3G wi-fi service on selected long-haul flights. The offer will apply initially to flights from Shanghai to New York, Los Angeles and Toronto served by Boeing 777-300ER aircraft, which are fitted with satellite communication devices. Over the course of a three-month trial, the service will also be provided on international flights to Vancouver and San Francisco, and on selected domestic flights to and from Beijing, Guangzhou, Kunming, Chengdu and Chongqing. The service will be limited to 50 passengers per flight. Anyone with a valid booking number for a flight within the trial period should visit the China Eastern website to register for an access code, which will be provided on a first come, first served basis. During the trial the service will be free, but charges will apply in the future, depending on bandwidth and internet speed.

- China Southern Airlines Chairman Si Xianmin is being investigated for "serious discipline violations", the Communist Party's Central Commission for Discipline Inspection (CCDI) said on its website. The news has shaken China's aviation circles. But many industry insiders said they were not surprised as Si is said to have been under watch over allegations of bribery since an inspection late last year.
- Global hotel chain Marriott International has unveiled an aggressive expansion plan in China that includes entering more than 20 second and third-tier cities in four years. Marriott already has hotels in 26 Chinese cities. It joins other global hotel groups expanding in China. InterContinental Hotels Group recently said it would double the number of its hotels over the next five years while Carlson Rezidor Hotel said it planned to triple its hotels to 50 by 2019.

# VIP VISITS

## French President Hollande focuses on climate change

China and France have agreed that a global climate change pact should require countries to increase their emission cuts every five years, according to a joint declaration. China firmly supports France in hosting the United Nations Conference on Climate Change, beginning late this month in Paris, and it hopes that the summit will get overall and balanced results, President Xi Jinping said while meeting with visiting French President François Hollande. The two countries also declared that, as soon as possible within the next five years, they will release their own national strategies on developing low-carbon economies by 2050. During the meeting, the two sides signed 17 cooperation documents in areas including nuclear energy, aerospace and electricity. Ding Chun, Director of the Center for European Studies at Fudan University, said that as the hosting country of the climate change summit, France hopes to get support from China on cuts in carbon emissions. China and the European Union have cooperated much in global administration, and climate change could be a main field where the two could enhance cooperation, Ding said.

## President Xi visits Vietnam and Singapore

Chinese President Xi Jinping paid a visit to Vietnam, the first to the country by a Chinese top leader in a decade and Xi's first to the nation since he took office in 2013. He met Vietnamese Communist Party General Secretary Nguyen Phu Trong, and President Truong Tan Sang, among other leaders. After the meeting, the two leaders witnessed the signing of deals in areas including trade, finance and infrastructure construction. Beijing and Hanoi will initiate a feasibility study of a railway connecting Hanoi with Lao Cai, a northern city on the border with China, and Haiphong, Vietnam's third-largest city. The rail line is expected to be about 381 kilometers long, with an investment of USD4.4 billion. Xi Jinping also made his first state visit to Singapore at the invitation of Singaporean President Tony Tan, marking the 25th anniversary of the establishment of diplomatic relations between the two nations. Chongqing has been chosen to be the location for the third intergovernmental project – an urbanization development project – between the two nations. Xi pointed out that China is Singapore's biggest trading partner, and Singapore was also one of the first countries to get involved in China's opening-up. Moreover it is an important offshore RMB trading center. Trade between the countries grew to USD95.8 billion last year, rising from USD2.8 billion in 1990.

- Chinese President Xi Jinping met former U.S. Secretary of State Henry Kissinger in Beijing. Briefing Kissinger on the 13th Five Year Plan (2016-20), Xi said China will adopt innovation, coordination, green policies and an open and sharing approach to the plan, which will provide more opportunities for Sino-U.S. cooperation. Kissinger also launched the Chinese version of his latest book, World Order, in Beijing.
- In a meeting with visiting Liberian President Ellen Johnson Sirleaf, Xi said China looks forward to deepening cooperation with Liberia in key areas such as infrastructure, marine transportation, agriculture, fisheries, production capacity and manufacturing. China will also help to improve public health and epidemic prevention systems in Liberia and increase government scholarships for the African nation.
- Chinese Premier Li Keqiang received a delegation of 220 business leaders from 65 Japanese companies led by Shoji Muneoka, Chairman of the Japan-China Economic Association. Li told the delegation that entrepreneurs should play an important role in improving ties, and he hoped that the business leaders would push the China-Japan relationship in the right direction.

## ONE-LINE NEWS

- The leaders of China and Taiwan, Xi Jinping and Ma Ying-jeou, shook hands for the first time since 1949. The historic handshake, meeting and dinner took place in Singapore and was expected to create a precedent for the leaders of both sides of the Taiwan Strait to meet again in the future.
- United Kingdom-based luxury smartphone vendor Vertu Co was sold by its Swedish owner EQT Holdings to a group of unknown investors in Hong Kong. The sale was completed in mid-October, but details of the transaction, including the amount, were not disclosed. Private equity firm EQT Holdings had acquired Vertu from Nokia in 2012 for more than €200 million. Prices for a Vertu phone easily reach CNY50,000 in China.
- Shanghai’s Jing’an and Zhabei districts have merged, to create an “engine for the city’s long-term development,” according to Shanghai Communist Party Secretary Han Zheng. Prior to the merger, Jing’an – which is regarded as the center of Shanghai’s “downtown” area – was the smallest of the city’s 17 district-level regions, covering an area of just over 7.6 square kilometers and with a registered population of about 248,600. The former Zhabei was about four times the size of Jing’an in terms of geographical area and home to about 871,200 registered people.
- Zheng Qingyue, former President of Tianjin Port Group, has been dismissed and will be prosecuted for dereliction of duty almost three months after huge chemical blasts at the port managed by the firm killed more than 160 people. Zheng’s Assistant Li Hongfeng and the Vice Director of the firm’s Safety Bureau, Zheng Shuguo, would also face criminal prosecution.
- China had about 1.3 billion mobile phone users at the end of the third quarter, meaning the mobile penetration rate is close to 100% as almost everyone owns a mobile phone. There were more than 302 million 4G mobile users nationwide, representing 41% of the total mobile user base, according to the Ministry of Industry and Information Technology (MIIT).

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**Membership rates for the last quarter of 2015 (excl. 21% VAT):**
- SMEs: €100
- Large enterprises: €285

**Membership rates for 2016 (excl. 21% VAT):**
- SMEs: €385
- Large enterprises: €975

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