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

NEWSLETTER | 16 NOVEMBER 2015

VIP visits President Xi Jinping attends G20 Summit in Turkey

One-line news

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- 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.
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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

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 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

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

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

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

The training programme covered topics including the slowing down of the Chinese economy and the new normal of 7% GDP growth; China's changing demography, consumer behavior and health care reform; the anti-corruption campaign; and China's overseas investment.

The two-day training took place on 12 and 13 November 2015 at the Thon Hotel EU in Brussels.

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.

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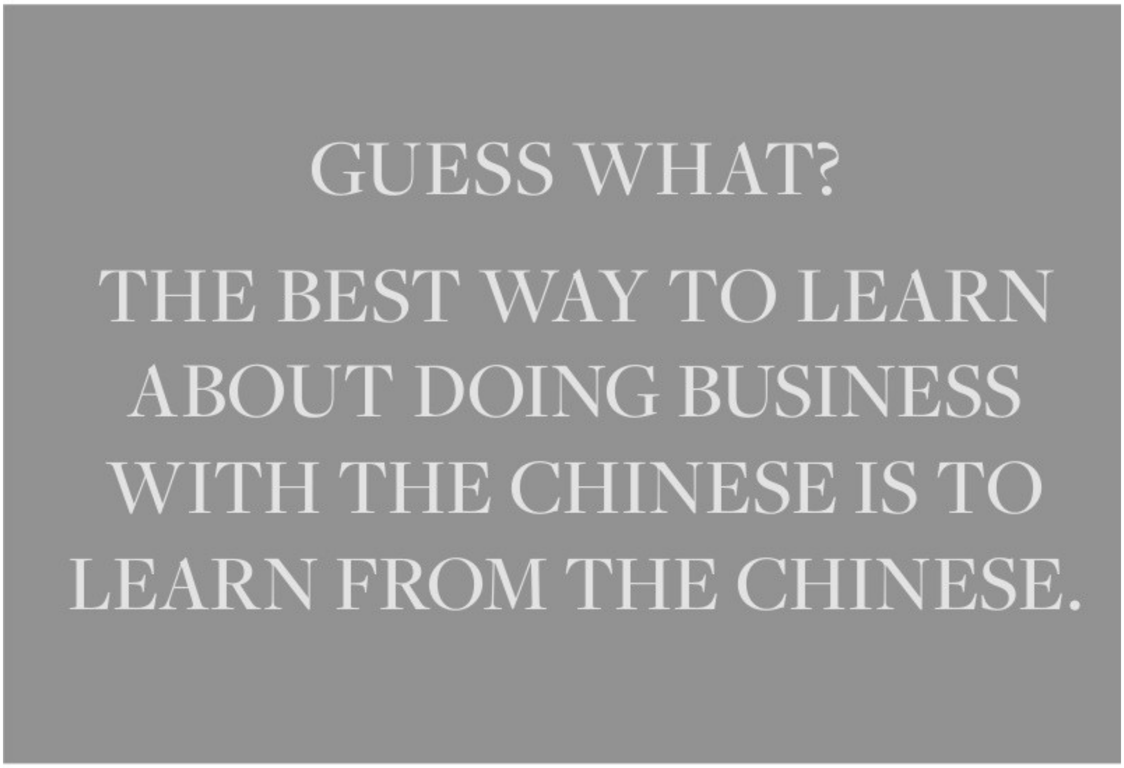
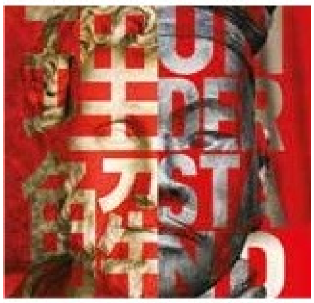
An Executive MBA by IMD & CKGSB



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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MEMBERS' NEWS

Koehler Group acquired by Corporation Service Company

Corporation Service Company® (CSC®) has acquired Koehler Group as of 12 October 2015. U.S.-based CSC is a leading global provider of corporate compliance and transactional services, including entity filings, due diligence requirements, and global subsidiary management. CSC also provides tax services and digital brand services, as well as corporate office, governance, and other domiciliation services for international special purpose vehicles and holding companies. Koehler Group's incorporation, tax, accounting and trade support services will complement CSC's existing offerings and expertise for a complete global corporate service solution. By joining forces with CSC, Koehler Group is reinforcing its local expertise with CSC's international capabilities in the light of the ongoing globalization and expansion of the corporate client base.

The full press release is available in PDF here.

AUTOMOTIVE

Sentiment remains strong for China auto sales recovery

The recovery of China's passenger-vehicle (PV) sales in October came in stronger than expected and the momentum should persist for at least a few months, analysts said, recommending manufacturers strong in small-engine vehicles like Geely Automobile and GAC Group. "China PV sales-volume recovery now seems more pronounced to us, partly on the purchase-tax cuts announced at end-September. We expect the strength in unit sales to continue until end-2015 at least," a report issued by Daiwa Securities said. Analysts with UBS Securities said the sales rebound in October was "above expectations". It said auto sales will keep posting fast growth rates in November and December. Wholesale deliveries of sedans, SUVs and multipurpose vehicles climbed 13% to 1.94 million vehicles in October after a tax cut. Daiwa recommended Geely, which also operates the Volvo brand, as a top pick, given its strength in small-engine vehicles. UBS said: "Going forward, we believe Japanese brands will likely regain market share in the next 12 months on the back of comprehensive SUV portfolios, more commitments and product launches from Toyota, Honda, and Nissan." UBS recommended GAC Group, which owns joint ventures with Toyota and Honda, the South China Morning Post reports.

- Government support lifted China's electric car production in October eight-folds year on year to 50,700 vehicles, the Ministry of Industry and Information Technology (MIIT) said. Output of pure electric and plug-in hybrid passenger vehicles in October was 850% and 200% higher, respectively, than a year ago, the Ministry said. In the first 10 months, Chinese carmakers produced 206,900 new-energy vehicles, three times as many as they did in the same period of last year. Government measures included tax exemptions, subsidies and requirements for government bodies to buy green cars.
- Vehicles in Shanghai already banned from the streets due to their heavy emission of pollutants will have to be scrapped if their owners want to keep their registration and license plate, the city announced. Vehicle owners are instructed to hand in documents with the city's public security authority proving that they scrapped their old vehicles, typically labeled yellow. Both registration and license plate will become invalid if the owner fails to do so by December 31. Once the vehicle is scrapped, the owner can transfer the license plate and registration to a new car.
- China's car market rallied strongly by 9.7% last in October from a year earlier, as the central government halved vehicle purchase taxes for passenger cars with engines below 1.6 liters, the China Association of Automobile Manufacturers (CAAM) said. The rally came after September's 2.1% moderate growth, which reversed a three-month drop. The accumulative sales so far this year hit 19.27 million units, up 1.5% year-on-year. But the increase is still short of the 3% annual growth target.

FINANCE

FSB requires some Chinese banks to raise capital buffers

The Financial Stability Board (FSB), a global banking oversight body hosted by the Bank for International Settlements (BIS), issued its final rules last week for Total Loss Absorbing Capacity (TLAC). The rules have been called the final step in Basel III regulation and will ask the world's 30 biggest banks to raise substantial capital buffers to protect taxpayers from paying for a failed bank. Many industry watchers expected that the FSB would initially exclude emerging-market banks from the rules. However, China's four biggest lenders are included in the list and have been given until 2025 to meet the first deadline. This could necessitate changes in the funding base of China's banks over the next decade, a change that could lead to instability. One of the main concerns was the introduction of market sensitivities to the banks' funding mix. The structural strength of China's biggest banks have been their vast deposit franchises, which have provided stable and cheap funding for the lenders. Bringing in market-driven debt products of up to 10% of the funding base would leave the banks far more sensitive to investor sentiment. The funding would also be more expensive than the cost of artificially low deposit rates the banks have appreciated for decades. The rules are expected to push Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Bank of China (BOC) and Agricultural Bank of China (ABC) to raise between USD350 billion and USD400 billion in debt over the next decade.

- The Asian Infrastructure Investment Bank (AIIB) will set up an ethics integrity department to prevent and combat corruption, said Jin Liqun, President-designate of the institution. Employees will be encouraged to report corrupt behavior in the bank, Jin said. The bank will launch its first projects in the second quarter of next year, focusing on electricity, transportation and water supply, as these are in high demand.
- China will not impose tough licensing restrictions on overseas bank card providers seeking to enter the country's USD7 trillion card payment market. Fan Yifei, Vice Governor of the People's Bank of China (PBOC), told a conference that there are no plans to limit the number of licenses issued to foreign card providers and force them to operate through joint ventures with local partners.
- The financial industry in Shanghai's pilot free trade zone (FTZ) achieved an added value of CNY146.1 billion in the first three quarters of this year, up 27.2% year-on-year, compared with the increase of 18.8% for the whole of 2014. The number of FTZ-based traditional financial institutions rose by 39 to 883 at the end of September, made up of 257 banks, 376 securities companies and 250 insurers.
- China faces an uphill battle against financial risks over the next five years as it works to internationalize the yuan and overhaul its financial regulatory framework, People's Bank of China (PBOC) Governor Zhou Xiaochuan said. Expectations have been mounting for a reshuffle of regulatory bodies, including the central bank and watchdogs overseeing banks, securities firms and insurers, to adapt to the changing business environment.
- Total bank lending in China may have shrunk by some 42% in the month of October, according to the latest estimates provided by Credit Suisse. "This is much worse than the CNY1,04 billion seen in the previous month," wrote Tao Dong, Research Analyst at Credit Suisse. He expects total bank lending to reach between CNY550 billion and CNY600 billion in October.
- Chinese banks saw their bad loan ratio rise to 1.59% at the end of September. The ratio was 0.09 percentage points higher than that at the end of June, with the value of outstanding non-performing loans (NPLs) rising CNY94.4 billion to CNY1.19 trillion, according to the China Banking Regulatory Commission (CBRC). Despite the NPL increase, the CBRC said the lenders' overall capability to offset risks remains stable.
- The People's Bank of China (PBOC) has issued a new version of of the CNY100 banknote on November 12. The new note has better anti-forgery features, but problems surfaced as some ATMs rejected the new banknotes.
- The People's Bank of China (PBOC) and the banking, securities and insurance regulators should combine to form a financial supervisory body, according to Yin Zhongqing, Finance Committee Deputy Director of the National People's Congress (NPC). This would allow better oversight of financial institutions with mixed businesses in various markets beyond the scope of any one regulator. Yin's suggestion at a forum in Shenzhen was among the first proposals on financial regulatory reform made publicly by a senior official.
- The yuan had fallen against the U.S. dollar for nine straight days as of November 13, the longest exchange rate decline in the past seven years. The yuan had weakened by 27 basis points to 6.3655 against the U.S. dollar, the longest consecutive-day decline since August 12, 2008.

FOREIGN INVESTMENT

More than half of China's overseas businesses are profitable

More than half of Chinese companies' overseas businesses are making a profit, while about one-fourth are suffering losses and the rest have broken even, according to the United Nations' first report on the sustainable development of Chinese enterprises overseas. The results are based on a survey of 250 Chinese enterprises, among which about 36% were state-owned and 63% were privately owned. China was the world's second-largest investor last year, with a total overseas direct investment (ODI) of USD123.1 billion, the majority of which was driven by state-owned enterprises (SOEs). About 57% of the surveyed companies were financed by domestic financial institutions such as the Export-Import Bank of China and the China Development Bank, while only 25% were financed by overseas financial institutions such as the World Bank and the African Development Bank. “The Belt and Road Initiative has provided a fresh opportunity for China to reallocate its labor-intensive industries globally and help the country upgrade its export structure,” said Long Guoqiang, Vice President of the Development Research Center of the State Council, the China Daily reports.

China's direct investment overseas is expected to reach USD367.3 billion by 2022. That will surpass that of the United States, making China the world's largest source for foreign direct investment, according to the 2015 Report on Chinese Enterprise Globalization published by the Beijing-based Center for China and Globalization. The report said that Chinese outbound investors’ top three concerns are political security, policy stability, and the legal and institutional environment. Cultural disparities continued to be the biggest obstacle in foreign markets. China became a net capital exporter for the first time in 2014 when ODI outgrew FDI. Outbound investment grew 14.1% to USD123.12 billion, eclipsing the 1.7% FDI growth.

China’s investments in the U.S. to reach USD10 billion in 2015

Total Chinese foreign direct investments in the United States are on pace to exceed USD10 billion for the third consecutive year. Chinese companies spent a combined USD3 billion on 46 transactions in the U.S. in the third quarter, according to the Rhodium Group. There were 26 mergers and acquisition deals totaling USD2.5 billion made in the third quarter. The biggest transactions completed last quarter were Dalian Wanda Group’s acquisition of the World Triathlon Corp (WTC) for USD650 million, Avic Automotive Systems and BHR’s purchase of Henniges Automotive for USD600 million, and Fosun International’s USD433-million take-over of Meadowbrook Insurance. Total Chinese foreign direct investment in the U.S. last year reached nearly USD12 billion on a record-high 92 deals. In 2013, total investment hit an all-time high of USD14 billion on 82 deals. Private firms accounted for 78% of total investment so far this year. Chinese investment remained sharply focused on the U.S. automotive, entertainment, insurance, and information and communications technology industries.

- Chinese Overseas Ports officially took control of Pakistan’s Gwadar Port free trade zone (FTZ), further cementing its role in the Gwader area, a gateway to oil-exporting Gulf countries. Under the agreement, it will manage the FTZ on a 43-year lease. The formal handover signals the Chinese side’s control of all the port’s business affairs. As part of the China-Pakistan Economic Corridor, China plans to make Gwadar a transportation hub by building a 3,000 km railway linking Xinjiang with Gwadar.
- China’s foreign direct investment (FDI) grew 4.2% from a year earlier to CNY54.68 billion in October, according to the Ministry of Commerce (MOFCOM), compared with an increase of 7.1% in September. In the first 10 months of this year, FDI, which excludes investment in the financial sector, totaled USD103.6 billion, up 8.6% from the same period of last year. Foreign investment in the service sector rose 19.4% in the January-October period.

FOREIGN TRADE

Ontario delegation signs deals with China

A trade delegation from Canada’s Ontario province has sealed more than 100 agreements with Chinese companies, valued at around USD2 billion. Wing On New Group Canada signed three deals worth a total USD173 million. Another one involves JD.com, China's second-largest e-commerce player, buying USD75 million worth of Canadian goods and helping distribute them in China. Another is worth USD60 million, with China Telecom Best Tone Information Service Co Ltd, to sell food and nutritional products in China. Exports from Ontario to China increased 10% during the first three quarters of this year.

- The Australian Senate passed two pieces of legislation relating to the China-Australia Free Trade Agreement (CAFTA), clearing the final hurdle to its enactment, which will see an immediate round of tariff cuts, followed by a second round on January 1. The two pieces of legislation passed were the Customs Amendment Bill and Customs Tariff Amendment Bill. CAFTA will also result in the removal of a number of tariffs, such as those on Australian beef, dairy and wine entering China.

- Chinese customs authorities said that 23 people had been detained after an undercover operation to bust a multi-billion yuan coal-smuggling operation that shipped CNY5 billion worth of the fuel from Vietnam. The detainees were allegedly part of a network that involved 150 people and 20 companies. They smuggled about 5.61 million tons of coal into China from 2013, avoiding CNY491 million in taxes.

IPR PROTECTION

Beijing IP Court accepts more cases

The Beijing Intellectual Property Court accepted 7,918 cases in the past 12 months, and concluded more than 3,200, said Court President Su Chi. About 75% of the cases were patent administrative lawsuits and nearly 40% involved overseas companies or individuals. Su said that the court, which was founded on November 6, 2014, has improved legal procedures to protect IP rights.

- A research team from Xinhua News Agency filed two patent applications for its Kuaibi Xiaoxin news writing robot system to write sports and business news. The system can write in Chinese and English and was tested for months. A news brief that takes a reporter about 10 minutes to write can be done by the robot in only seconds.

MACRO-ECONOMY

China's middle class now the world's largest

China's middle class, with an estimated 109 million people, is now the world's largest, according to a Credit Suisse report. It defined a middle class adult as one with wealth of at least USD28,000. The United States has the second-largest middle class with some 92 million people, the report said, defining the American middle class adult as possessing wealth of between USD50,000 and USD500,000. "Chinese people's spending power is growing. The middle class is expanding – and fast – but they are also facing very big risks," said Professor Yang Yansui of Tsinghua University. One major problem was that employees were subjected to high taxes and social insurance schemes with low returns, Yang said. From the start of their careers, young people are required to contribute 8% of their salaries to their pensions, compared with a tiered system in Western countries. This meant that a worker's money was being used by someone else while he was still far off from realizing a return, she said. Another problem was the unequal distribution of education resources, which forced many parents to splash out on things like buying homes near good schools to secure better access to education for their children. A third – and most important – problem was buying a home, which "held to ransom many well-educated young professionals with a decent income", Yang said. "Together, these factors make it difficult for the Chinese middle class to develop," the South China Morning Post reports. Shanghai University Sociology Professor Gu Jun believes it is too early to conclude that China's middle class is rising. According to the Credit Suisse report, 39% of the adult population in North America falls into the middle class. In contrast, China's middle class comprises just 11% of the country's total adult population.

Economy still weak in October

China's economy continued to be weak in October as industrial production and fixed-asset investment grew moderately while retail sales were generally flat compared with a month earlier. Industrial production grew 5.6% from a year earlier in October, easing from 5.7% in September, the National Bureau of Statistics (NBS) said. Fixed-asset investment (FAI) added 10.2% to CNY44.7 trillion in the first 10 months, dipping from the 10.3% gain in the first three quarters. Retail sales rose 11% to CNY2.8 trillion in October, compared with the 10.9% increase a month ago. Liu Ligang, Economist at the Australia & New Zealand Banking Group, said the data indicated that economic activity was still sluggish and the growth pace showed little improvement. "Traditional growth drivers such as industrial production and fixed-asset investment remained weak, falling short of previous market expectations for stability," Liu said. "As China's service sector now accounts for more than 50% of China's gross domestic product, we think that the market will need to develop a new set of indicators to gauge the economic activities of the service industry," he added. The high-technology manufacturing sector climbed 10.8% in October, 5.2 percentage points faster than the average and 0.9 percentage points stronger than in September, the Shanghai Daily reports.

- President Xi Jinping called for more reform and innovation ahead of the introduction of China's 13th Five Year Plan (2016-20). The spirit of reform and innovation must be strengthened and the country's governance system should be modernized, he said.
- China's consumption will be a decisive factor in achieving the country's next five-year economic growth targets, as its contribution to GDP will continue to increase. The driving power of investment will be relatively weakened, said Yang Weimin, Deputy Director of the Office of the Central Leading Group on Financial and Economic Affairs. Net exports, meanwhile, “will be no worse than the current situation, but too fast growth is unlikely in the coming years” he added. China will also work to lift 70.17 million rural residents out of poverty in the next five years.
- The National Bureau of Statistics (NBS) indicated that consumption accounted for 60% of economic growth in the first half of this year, up from 51.6% in 2014 and 48.2% in 2013. The contribution from gross capital formation declined to 35.7% in the first six months of 2015, down from 46.7% in 2014 and 54.2% in 2013.
- China’s economic growth is likely to slow to 6.5% next year and cool further to 6.2% in 2017, the Organization for Economic Cooperation and Development (OECD) said. The OECD also noted that real borrowing costs have continued to rise amid persistent declines in factory gate prices, which is squeezing firms’ profits and increasing their debt burdens.
- China’s consumer inflation was weaker than expected in October, while prices at the factory gate fell for a 44th straight month. The consumer price index (CPI) rose 1.3% year-on-year in the month, slowing from a 1.6% rise in September, the National Bureau of Statistics (NBS) said. The deceleration was largely due to the slower growth of food prices, which account for about a third of the CPI basket. Food costs grew 1.9% in October, slowing from 2.7% a month earlier. Prices in the non-food sector, meanwhile, increased 0.9% in the month, down slightly from 1% in September. In the first 10 months, China’s CPI gained 1.4%, while the PPI decreased 5.1%.
- Around 3 million extra babies will be born each year after China abolishes its “one child” policy to allow all couples to have two children. The rule change will allow 90 million more Chinese women a second child, said Wang Pei’an, Vice Chairman of the National Health and Family Planning Commission. But half of them are aged between 40 and 49, he added, limiting their desire or ability to bear children.There were nearly 17 million births in China in 2014 and the policy liberalization will see around 3 million extra babies born each year over the next five years. The country’s population, which stood at 1.36 billion last year, would hit a high of 1.45 billion in 2029
- China has scant chance of leading the development of next-generation industrial robots as the gap in technological innovation between Chinese makers and their overseas peers is widening, according to industry experts. China has been the world’s biggest market for industrial robots since 2013, but none of the 500 or so domestic manufacturers has any distinct competitive advantage when it comes to their core technology, according to Luo Jun, CEO of the International Robotics and Intelligent Equipment Industry Alliance.
- Consumer inflation in China fell to 1.3% year-on-year in October, the lowest since May and down from 1.6% in September. The producer price index (PPI), which measures the cost of goods at the factory gate, fell 5.9% year-on-year in October, matching the figures for September and August, which represented a six-year low.
- The National Development and Reform Commission (NDRC) plans to collect suggestions from foreigners until the end of January on the next Five Year Plan. Foreigners will be encouraged to write columns in various media, and seminars with foreign chambers of commerce will also be organized.

MERGERS & ACQUISITIONS

ChemChina in talks to buy Syngenta

China National Chemical Corp (ChemChina) is in talks to buy Swiss pesticide maker Syngenta in what would be the largest acquisition by a Chinese company of a European target. State-owned ChemChina offered CHF449 a share, which values Syngenta at CHF41.7 billion. Syngenta, which has a market value of USD32 billion, rejected the offer citing regulatory risks. The two sides are still talking and an agreement could be reached in the next few weeks. Syngenta, the world's largest pesticide producer, is also talking with other potential suitors as it explores its options. In March, ChemChina agreed to buy a 26.2% stake in Pirelli & Co from the Italian tire maker's largest shareholder in a deal that valued the target at about USD7.7 billion. ChemChina and other buyers then made a public tender offer for the rest of the company, a deal that closed this month.

- Anbang Insurance Group has agreed to buy U.S. annuities and life insurer Fidelity & Guaranty Life for about USD1.57 billion as Chinese insurers seek to expand into the United States. Financial holding company HRG Group, Fidelity & Guaranty Life's majority stockholder, has approved the deal, which would make Anbang one of the largest insurers by market share in fixed-indexed annuity products in the U.S. The deal is expected to conclude in the second quarter of 2016.
- Guangdong Qunxing Toys Joint-Stock Co, one of China's largest electronic and battery-operated toymakers, is to take full control of Sichuan Sanzhou SCMP Nuclear Equipment Manufacturing, which is a supplier to the nuclear power, military and petrochemicals industries. Listed on the Shenzhen Stock Exchange in 2011, Qunxing Toys operates across a range of industries, including internet entertainment, culture, education and finance.

REAL ESTATE

Housing construction expected to decline

Construction growth in China is forecast to reach historical lows in the short term, with housing construction registering a decline for the first time ever. Construction is then expected to make a slight recovery in the years leading up to 2030, according to a report by Global Construction Perspectives and Oxford Economics. China is one of the main drivers of construction worldwide, followed by the U.S. and India. “China has passed the peak in terms of construction activity, I would say the peak was more like 2013. Last year we saw a decline in terms of new start-ups, and also sales volume,” said Joe Zhou, head of research in China at JLL real estate consultancy, adding housing has been in decline since last year but there have been positive signs the market will stabilize. Construction output during the 2014 to 2020 period is expected to grow at a rate of about 3.9% annually, less than one third of the average rate between 2005 and 2014. In the long run however, growth is forecast to reach 4.8% in 2020 to 2025, and 5.2% in 2025 to 2030. Housing will also be the slowest growing sector as it is projected to grow by only 2.5% annually until 2020 before reaching 4% from 2020 to 2030, the report said. Representing about 40% of construction last year, the sector expanded at a rate of about 11% yearly from 2005 to 2014. Yet China remains the world's largest construction market. By 2030, China, the U.S. and India will account for 57% of all global growth in construction and engineering, adding over USD4.5 trillion to construction growth.

- China's housing market grew by a slightly slower pace in the first 10 months of this year, according to the National Bureau of Statistics (NBS). From January to October, sales of new homes, excluding government-subsidized affordable housing, rose 18% year-on-year to CNY5.47 trillion, slightly slower from the 18.2% growth in the first three quarters. The area of homes sold climbed 7.9% from the same period a year ago to 837 million square meters, easing from an 8.2% gain in the January-September period. The mean selling price of new houses in 100 cities monitored by the China Index Academy rose 0.3% month-on-month to CNY10,849 per sq m in October.
- Singapore-based urbanization and infrastructure consultancy Surbana Jurong said that it has taken a 20% stake in China's CITICC (Africa) Holding, which would see it potentially developing 30,000 affordable homes in Africa in the next five years. CITICC

is a USD300 million investment platform set up between International Financing Co (IFC), a member of the World Bank Group, and Chinese multinational construction and engineering company, CITIC Construction Co.

- Sun Hung Kai Properties, Hong Kong's largest developer in terms of market capitalization, expects Hong Kong 's home prices to remain stable next year. "Even if interest rates rise next year, there won't be a big increase," said Managing Director Victor Lui. Investment bank Jefferies has said home prices will fall 30% next year, taking them back to 2012 levels.
- Chinese Estates, controlled by fugitive tycoon Joseph Lau, sold the Mass Mutual Tower, a 26-story Grade A office building in Hong Kong's Wan Chai district for HKD12.5 billion, making it the most expensive office building ever sold in Hong Kong. With a gross floor area of about 345,000 square feet, the sale price per sq ft is about HKD36,200.

RETAIL

CNY91 billion sold through Alibaba on Singles' Day

Chinese consumers spent billions of dollars in the world's biggest online shopping spree on November 11, an event also involving an increasing number of overseas companies eager to find a way to deliver their goods to the Chinese middle class. On this year's Singles' Day, Alibaba racked up CNY91.22 billion, compared to CNY57.1 billion last year. The amount is much higher than analysts' estimate of USD12 billion. Launched by Alibaba in 2009, the nationwide shopping spree, also known as the Singles' Day shopping festival or Double 11, falls annually on November 11, a holiday originally created by Chinese people to celebrate bachelorhood. In late October, Alibaba's global division Tmall Global launched discounted pre-sale activities with top overseas retailers, including U.S.-based Costco, Japan's Laox and Germany's Metro. Imported foodstuffs from 13 countries, such as the U.S., the UK and South Korea, were sold out on Tmall Global ahead of the Singles' Day shopping festival. Data from Tmall showed that products from the U.S, Japan and South Korea were the most popular among the Chinese customers, with residents of Russia, Hong Kong and the U.S. the top three buyers. Alibaba's smaller competitor, JD.com, which did not reveal its global sales, also promoted its global shopping service, focusing primarily on maternal and child products and consumer electronics, the South China Morning Post reports.

The cumulative national total for the daylong orgy of commerce dwarfed what Americans spent online over the five-day frenzy from Thanksgiving to Cyber Monday last year. The task of putting customers' purchases into their hands is huge. Alibaba said its logistical arm and its partners would use more than 1.7 million personnel, 400,000 vehicles, 5,000 warehouses and 200 planes to handle deliveries.

- An executive meeting of the Chinese government, presided over by Premier Li Keqiang, decided to issue a package of policies to shore up consumption, including opening more duty-free stores at ports of entry across the country and to import more popular consumer goods. More than 100 million Chinese traveled overseas last year and spent more than CNY1 trillion during their trips, according to the Ministry of Commerce (MOFCOM).
- Strong demand from Chinese parents for Australian baby formula prompted shopping agents in Sydney to strip shelves bare ahead of Singles' Day. The agents, usually Chinese nationals living overseas, typically stockpile the products and sell them at a profit to buyers in China.

STOCK MARKETS

Dali Foods Group planning to list in Hong Kong

Dali Foods Group Co, a Chinese snack and beverage producer, is planning to raise HKD10.4 billion through an initial public offering (IPO) in Hong Kong on November 20. The company, which sells "Daliyuan" cakes and "Copico" brand potato chips, is issuing 1.69 billion shares at HKD5 to HKD6.15 each. Following the IPO, its market value is expected to reach HKD84.2 billion. Xu Shihui, Founder and Chairman of Dali Group, currently owns 85% of the shares in the company. The IPO is expected to boost his personal wealth to about HKD71.6 billion. Other interesting IPOs in the pipeline include Wenzhou based Kangning Hospital, the largest private psychiatric health care group in China, which has nine health care facilities in operation, with a total of 2,210 beds across its network. The company said it would receive net proceeds of approximately HKD555.2 million, if priced at the mid point of its price range.

- Shares of China International Capital Corp (CICC) surged 7.39% on their Hong Kong debut as the decision to lift a ban on initial public offerings (IPOs) is likely to improve business prospects for investment banks. Investment banking accounts for 27% of CICC's total revenue. CICC, China's first joint-venture investment bank, raised USD810 million last month after it priced its IPO at the top of its indicative price range.
- The mother of Xu Xiang, China's high-flying hedge fund manager now in detention on suspicion of insider trading, has had her shares worth CNY4.3 billion in the retail firm Wenfeng Great World Chain Development and Daheng New Epoch Technology frozen for two years. Xu, 37, the Founder and General Manager of Zexi Investment, was arrested by police on a highway on November 1 on charges including insider trading and stock market manipulation.
- Global index complier MSCI's decision to include some of the United States-listed Chinese stocks in its emerging market index will boost prospects for Chinese technology companies and pave the way for the eventual inclusion of A shares. About 14 Chinese stocks listed in the U.S., including Alibaba Group Holding and Baidu, will be added to the MSCI Emerging Market Index. MSCI will be the first global index provider to include U.S.-listed Chinese companies in its benchmark indexes.
- The Shanghai Stock Exchange is modifying the rules and requirements for the strategic emerging industries board, a new trading platform targeting high-growth and innovative companies. The market rout in June has delayed an immediate launch of the board. Instead the bourse is planning to roll it out along with the registration-based mechanism for initial public offerings (IPOs).
- Yao Gang, Vice Chairman of the China Securities Regulatory Commission (CSRC), is under investigation for "serious violations of discipline", the Central Commission for Discipline Inspection (CCDI) of the Communist Party of China announced in a statement. Yao, 53, is by far the highest-ranked securities official under investigation as Beijing extends its anti-corruption campaign into the financial industry.
- The Shanghai and Shenzhen stock exchanges raised deposit requirements for margin trading to 100% from the current 50% effective on November 23, as part of China's

efforts to curb market volatility. The new rules mean that investors can leverage CNY1 million in their accounts to borrow another CNY1 million from securities brokerages for share purchases. The existing requirement allows them to borrow up to CNY2 million. As of November 12, the total outstanding value of margin loans reached CNY1.16 trillion, up by more than 26% from the recent low of CNY904.1 billion on September 30.

TRAVEL

Air traffic in China increasing fast

Air passenger traffic in China, measured in revenue passenger kilometers (RPK), increased 15.1% year-on-year in the first eight months of the year. International travel was especially strong, with RPK on international routes surging by 29.1%, according to figures compiled by Fitch. “The demand is driven by fast-growing overseas travel as more countries provide easier access to Chinese citizens, consumers’ appetite for leisure travel overseas grows, and air travel becomes increasingly affordable,” said Karl Shen, Associate Director of Corporate Research at Fitch, noting that Asian countries accessible by short-haul flight were the most popular destinations. Domestic traffic also grew, but at the lower rate of 9.9% year-on-year. Meanwhile, the RPK growth of 11.4% on domestic sectors suggested that travelers were opting to use air travel for longer trips inside China. “Competition from high speed rail is high for short-range flights, say less than 600 kilometers,” Shen said. “Many short range flights have already phased out routes along which high speed trains are also operated.”

- Guangzhou has been conducting a trial run of its government-backed Uber-like car-hailing app Ruyue for over three months and is now set to launch it commercially in February. During the testing period, the ride-booking service has been connecting users with an official fleet of about 300 licensed Toyota and Nissan vehicles.
- Chinese train maker CRRC Corp will put high-speed trains into operation by the end of the year that can run in adverse weather conditions and extremely low temperatures. CRRC said it has received approval from the National Railway Administration for the CRH2G high-speed train, which can operate in temperatures as low as -40 degrees Celsius and also in sandstorms and strong winds. In addition, it can be used at altitudes as high as 3,600 meters. The trains will be used on the Lanzhou-Xinjiang high-speed railway line by the end of the year.

VIP VISITS

President Xi Jinping attends G20 Summit in Turkey

President Xi Jinping participated in the G20 Summit in Antalya, Turkey and also held talks with Turkish President Erdogan. Xi will also attend the APEC summit in Manila from November 17 till 19.

- China is willing to cooperate with the United States to make joint contributions to deal with climate change and promote global stability and development, Premier Li Keqiang told a visiting delegation led by U.S. House of Representatives Minority Leader Nancy Pelosi, who also made a rare visit to Tibet.
- China and Laos signed an intergovernmental railway cooperation agreement, planning to introduce a modern rail line in Laos in 2020. Xu Shaoshi, Chairman of National Development and Reform Commission (NDRC), signed the document with Somsavat Lengsavad, Deputy Prime Minister of Laos, at a ceremony at the Diaoyutai State Guesthouse in Beijing. The 418-km line will connect Kunming, capital of Yunnan province, with the Lao capital of Vientiane. The railway's average speed is set at 160 kph and 60% of the line will be bridges and tunnels. China will be responsible for 70% of the CNY40 billion investment.
- China and Mongolia vowed to strengthen efforts on the blueprint for an economic corridor linking the two countries and Russia, following a meeting in Beijing of Chinese President Xi Jinping and visiting Mongolian counterpart Tsakhia Elbegdorj. Cooperation agreements covering infrastructure, energy and financing were signed.

Big projects, including the Tavan Tolgoi coal mine, gas and power stations were also discussed. China moreover decided to increase imports of beef and mutton from Mongolia.

ONE-LINE NEWS

- Shanghai Vice Mayor Ai Baojun has been put under investigation on suspicion of serious discipline breaches. He is also Director of both the Shanghai free trade zone (FTZ) and the Shanghai International Tourism and Resorts Zone, where the new Disney theme park is being developed. Shanghai Party Secretary Han Zheng described the news as "heartbreaking," but said he supported the investigation.
- Beijing's Vice Party Secretary Lü Xiwen is under investigation for suspected "serious disciplinary violations", becoming the first high-ranking official in the capital under probe since the 18th Party Congress in 2012. She ranks third in the CPC Beijing Committee after Beijing's Party Secretary Guo Jinlong and Mayor Wang Anshun.
- In an unprecedented joint operation, police from the mainland, Hong Kong and Taiwan cracked two overseas-based syndicates operating phone scams and made 431 arrests. One gang, set up in Indonesia, had allegedly duped Hongkongers out of HKD118 million in 431 cases this year, police sources said. The other syndicate operated in Cambodia and did not target Hong Kong.
- Chinese billionaire Liu Yiqian bought Amedeo Modigliani's painting "Reclining nude" for USD170.4 million, the second-highest price for an artwork at auction, in a sale at Christie's in New York. It is not the first time he has broken records for bidding on works of art: in 2014 he paid a record price for a Tibetan tapestry.
- A gold deposit of at least 470 tons has been discovered beneath the seabed in Laizhou, Shandong province. When developed, the huge site discovered by Ruihai Mining, will be China's first undersea gold mine. So far, more than 2,000 tons of gold deposits have been found in Laizhou, the city with the highest gold reserves in China.
- If global temperatures rise 4 degrees Celsius due to climate change, some 45 million people in Hong Kong, Shanghai and Tianjin would be displaced as the cities slip under the sea level. The displaced population could be cut to 23.4 million if an upcoming climate summit limited global warming to 2 degrees, scientists at the U.S.-based group Climate Central said.
- Hong Kong-listed China's Shanshui Cement group filed for bankruptcy after failing to repay CNY2 billion of onshore notes due on November 12. China's seventh-largest cement manufacturer had been caught up in a battle for control since April as China Tianrui Group Cement Co increased its stake in Shanshui to 28.16% to become the largest stake holder while trying to expel the current board.
- Lenovo Group, the world's biggest personal computer maker, reported a net loss of USD714 million for the fiscal second quarter that ended in September, due to higher restructuring costs. Though the loss was the first for the company in the past six years, it was still narrower than the USD803 million estimated by analysts. Revenue for the reporting period was CNY12.2 billion, up 16% year-on-year, due to strong sales growth and cost-cutting in its smartphone business.

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- Large enterprises: €285

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