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FLANDERS-CHINA CHAMBER OF COMMERCE
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NEWSLETTER | 18 JANUARY 2016

FCCC ACTIVITIES

Webinar: Navigating the Future of Consumer Demand Across China's Cities – 26 January 2016

The Flanders-China Chamber of Commerce, the EU-China Business Association and The Conference Board are organizing the following webinar :
Date: 26 January, 2016 15:00 PM CET | 18:30 PM IST | 21:00 PM HKT Time Zone Converter
If you can't make the date, register anyway and we'll send you a recording!
https://www.conference-board.org/webcasts/webcastdetail.cfm?webcastid=3575

Register now at no charge.
While China's market still holds huge promise for European multinationals, finding the pockets of increasing demand can be difficult. Even more puzzling is how to satisfy that demand, given that so many would-be consumers still have little to spend and hold unfamiliar consumption preferences. Combined with a slowing economy, identifying the best growth markets will only get more challenging.

Join this webcast to gain insights into how our City Strata and Connected Spendersframeworks will help European companies create value from China's consumption growth, despite the uncertainties.
Key takeaways:

- Strategies to capture these opportunities and a toolset for how to proceed
- A prioritization of the Chinese cities in which to invest
- A framework for identifying the Chinese consumers businesses should be engaging

Featuring: Louise Keely, President, The Demand Institute Read Bio
Ethan Cramer-Flood (Moderator), Associate Director, China and Asia Programs, China Center for Economics and Business, The Conference Board Read Bio

Meeting and Reception with the Ambassador and Consuls General of Belgium in China – Wednesday 27 January 2016 – 18h00 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the Ambassador and Consuls General of Belgium in China. This event will take place on Wednesday 27 January 2016 at 18h00 at BNP Paribas Fortis, Kanselarijstraat 1 in Brussels. This event is an excellent opportunity to discuss your companies' activities in China with the Ambassador and Consuls General of Belgium in China.

Programme:

6.00 pm	Registration
6.30 pm	Speeches by Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce Mr Michel Malherbe, Ambassador of Belgium in China Mrs Cathy Buggenhout, Consul General of Belgium in Shanghai Mr Christian de Lannoy, Consul General of Belgium in Guangzhou Mrs Michèle Deneffe, Consul General of Belgium in Hong Kong and Macao
7.00 pm	Exchange of views and networking with the Ambassador and Consuls General
8.00 pm	End of Programme

If you are interested in attending this event, please register online before 21 January 2016.

The participation fee for members is 45 € (excl.VAT). The fee for non-members is €75 (excl.VAT).

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

[Register here](). Members : €24,2 (incl. 21% VAT) Non-Members: €54,45 (incl. 21% VAT)

ADVERTISEMENT AND SPONSORSHIP

Interested in sponsoring the FCCC Chinese New Year Reception or Advertisement in the FCCC Weekly/Website?

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.

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 Advertisement and Sponsorship Opportunities for 2016.

Also note the sponsorship opportunity for the **FCCC Chinese New Year Reception** on February 3, 2016. More details are available by following the link above.

We would like to give your company more exposure to Belgian companies active in China and Chinese companies active in Belgium.

The programme of the FCCC Chinese New Year Reception is as follows :

3 February 18h00 - Brussels - KBC Bank, Havenlaan 2, 1080 Brussels
Speakers :

- Mr Bert De Graeve, Chairman, Flanders-China Chamber of Commerce
- His Excellency Mr Qu Xing, Ambassador of the PRC in Belgium
- Mr Geert Bourgeois, Minister-President of the Government of Flanders, Flemish Minister for Foreign Policy and Immovable Heritage

Organized by the Flanders-China Chamber of Commerce (FCCC).

Sponsorship EU-China activities:
The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organization registered in Belgium. The FCCC holds the secretariat-general of the EUCBA.
The EUCBA organizes high-level EU-China events and also publishes a Quarterly news bulletin. Website: www.eucba.org

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

EUCBA ACTIVITIES

China Association Lunch with EU Trade Commissioner – 25 February 2016, 12:30 – 14:00 – London

Place: King & Wood Mallesons, 10 Queen Street Place, London EC4R 1BE

The China Association is organizing a lunch at which EU Trade Commissioner, Cecilia Malmström, will speak on the topic "The EU and China: trade and investment in the global economy". The event will run from 12:30 to 14:00 and will take place at the premises of King & Wood Mallesons, who will be our kind host and sponsor on this occasion. A buffet lunch will precede the Commissioner's talk, which will be followed by questions from the floor. There is no attendance fee. We expect interest in this event to be strong so please register as soon as possible to avoid disappointment.

Register here

This event is organized with the support of the EU-China Business Association (EUCBA).

Business Challenges in China, E-Commerce and IPR Inter-Chamber SME Working Group Meeting – 28 January 2016 – Brussels

9 AM – 11 AM –, Thursday, 28th January, 2016 | Eurochambres, Avenue des Arts, 19 A/DB-1000 Brussels, Belgium

Join our Inter-Chamber SME Working Group meeting that will be held in Brussels for the first time on Thursday, 28th January. During this meeting, we will have the privilege to welcome representatives of European SMEs with presence in China to share their experiences in the Chinese market.

PROGRAMME

9.00 am - 9.10 am	Opening remarks
9.10 am - 9.20 am	Introduction of Inter-Chamber SME Working Group
9.20 am - 9.40 am	Challenges faced by European SMEs in China by Mr. Massimo Bagnasco, Managing Partner at Progetto CMR
9.40 am - 10.00 am	Opportunities for EU SMEs in China's Cross-Border E-Commerce by Mr. Rosario di Maggio, Associate Director at Vistra
10.00 am - 10.20 am	How to protect your IPR in China by Mr. Carlo Diego D'Andrea, Managing Director at D'Andrea & Partners Law Firm
10.20 am - 11.00 am	Q&A and Roundtable Session

Register now!
Registration: This event is free of charge, but only opens to:

- European small and medium-sized enterprises
- SME intermediary organisations such as embassies or consulates, chambers of commerce, international organisations and industry associations

If you would like to attend, please send an email to Xavier SansPowell.
More Related Content Available on the EU SME Centre Website.

EU-China Conference: China's New Normal: What's In It For Businesses? – Thursday, 28 January 2016 – 12:00-15:00 – Brussels

The European Union Chamber of Commerce in China, the EU-China Business Association and BUSINESSEUROPE are organizing an exclusive dialogue with the European Commissioner for Trade Cecilia Malmström, the European Parliament's Chair for Relations with China Jo Leinen, and the European Chamber China President Jörg Wuttke. This will take place on Thursday, 28 January, 2016 from 12:30- 15:00 at Thon Hotel EU, Rue de la Loi 75, 1040 Brussels.

The purpose of this event is to take stock of the most important developments in the EU-China relations and how this affects EU businesses.

In the past year, there have been a number of significant developments in China. First of all, the economic slowdown in China is a fact. European companies are adapting to this “new normal” of lower, but possibly more qualitative economic growth.

Another important development is the negotiations on the EU-China Investment Agreement, which started in early 2014. European businesses in China are hopeful that China will use these agreements to promote greater international competition and cooperation in its marketplace through meaningful liberalisation. The direction that these developments will take will be critical for Europe’s mission for growth and the future success of European industry in both Europe and China.

Moreover, the Chinese government will soon release a roadmap, including two so-called negative lists to indicate where investments of domestic enterprises and foreign invested enterprises are allowed and not allowed.

Last but not least, EU Trade Commissioner Cecilia Malmström will deliver a keynote speech on the current state of the EU-China business relations.

Tentative Agenda

12h00 - 13h00	Registration and sandwich lunch
13h00 - 13h10	Introduction by Mr Markus Beyrer, Director-General, BUSINESSEUROPE
13h10 - 13h20	Speech on EU-China business relations by Ms Cecilia Malmström, European Commissioner for Trade
13h20 - 13h30	Speech by Mr Jörg Wuttke, President, European Union Chamber of Commerce in China
13h30 – 13h40	Speech by Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for relations with the People's Republic of China
13h40 - 14h25	Moderated panel Discussion and Q&A
14h25 - 14h35	Closing remarks by Mr. Bert De Graeve for the EU-China Business Association

Moderator:

- Ms. Shada Islam, Director of Policy, Friends of Europe

During the event, representatives from the European Chamber’s working groups will also on-site answer specific questions related to their industry sectors.

The EU-China Business Association is the EU-wide federation of business organisations in the EU promoting business relations with China. The Flanders-China Chamber of Commerce holds the secretariate-general of the association.

If you are interested to participate, please register before 20 January 2016 via this link : eucba.org/eu-business-in-china. The registration fee is: 95 € per person.

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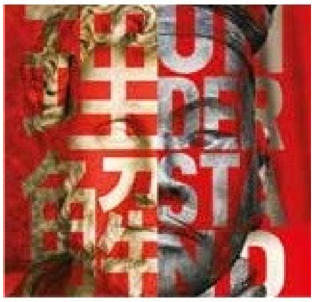

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Made up of equal numbers of participants from both Eastern and Western businesses, the program will include 11 weeks of face-to-face learning. The program is scheduled to take place from February 2015 until September 2016 with a unique split of 50/50 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.

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AUTOMOTIVE

Vehicle sales rise at slower pace in 2015

Vehicle sales in China, the world's largest car market, surged to a record 24.6 million units last year, but at a much lower growth rate of 4.7%, as demand waned due to uncertain economic conditions. Passenger vehicle sales grew 7.3% year-on-year to 21.1 million units in 2015, while that of commercial vehicles declined by 10%. Demand for trucks dropped by 11.4%, according to the China Association of Automobile Manufacturers (CAAM).

- Hebei province will require newly-built residential communities to install electrical charging facilities in parking spaces and encourage older communities to follow suit, in a move to promote the use of new-energy vehicles (NEVs). According to new regulations, the first choice for buses, taxis and vehicles used by local governments and for sanitation and delivery in the province should be new-energy vehicles.

EXPAT CORNER

Beijing launches policy to attract foreign professionals

The Ministry of Public Security (MPS) has announced a pilot policy for Beijing to facilitate foreigners in entering and staying in the capital. The policy, consisting of 20 new measures that will take effect on March 1, targets specific groups of foreigners: high-end foreign professionals, overseas Chinese who graduated from foreign universities and start businesses in Beijing, foreign students in the capital and foreigners who work for entrepreneurial startups in the city. The policy marks the nation's second pilot program, after the Shanghai Technology Innovation Center was granted 12 favorable policies in July. The move is intended to attract more overseas high-level talent to Beijing, especially to the Zhongguancun National Demonstration Zone, to provide a steady stream of foreign talent for scientific and technological innovations, said the Ministry's Bureau of Exit and Entry Administration. The policy will be implemented first in Zhongguancun, a high-tech hub of the capital that covers 488 square kilometers and has more than 20,000 companies. Foreigners who have worked for companies in Zhongguancun for four years, with at least a six-month stay each year, will be given a permanent resident permit. Visitors from some countries will be allowed 144-hour, visa-free stays in the capital to attend conferences or travel to Beijing. The policy will be duplicated by other cities or areas that have high-tech zones or free trade zones (FTZs), such as Tianjin, the China Daily reports.

The Shanghai municipal government has handed out significantly more permanent residence permits to expats since loosening its visa policies in July. A total of 715 residence permits were issued to expats in the city between July and December, up from 60 during the same period in 2014.

FINANCE

Amount of new loans raises concerns

The amount of new yuan loans issued slipped to nearly CNY598 billion in December, down from CNY709 billion in November, the People's Bank of China (PBOC) said. For the whole year, the country's financial sector has issued CNY11.7 trillion in new loans. The record-high credit growth last year has prompted concerns among economists about the government's and enterprises' debt burden. Liu Ligang, Chief Economist in China at ANZ Bank, said that credit risk is increasing this year as GDP growth may continue to decelerate to around 6.5%. This will further erode enterprises' profits and increase the possibility of debt defaults. The industrial rebalancing reform, which may lead to bankruptcy of unprofitable companies, will also increase banks' non-performing loans (NPLs). Local governments swapped CNY3.2 trillion in debt for long-term, low-return bonds purchased by banks last year, which will further reduce the banks' profitability this year, said experts. The Chinese Academy of Social Sciences (CASS) said that the total corporate debt was more than 140% of GDP last year, the world's highest ratio. China's total outstanding credit growth increased by 15% last year, UBS said.

President Xi Jinping attends opening ceremony of AIIB

China’s leaders pledged their full support for the newly launched Asian Infrastructure Investment Bank (AIIB) and called on other international development lenders to help improve the region’s infrastructure and create jobs. President Xi Jinping said at the opening ceremony on January 16 that China would also contribute USD50 million to a fund planned by the bank to support infrastructure construction in under-developed countries. Premier Li Keqiang said in a speech that the AIIB was a milestone in reforming global economic governance. The bank was first proposed by Xi in October, 2013. Xi and Li said the AIIB would supplement existing multinational development agencies and called for cooperation to increase financing for “high-quality and low-cost” infrastructure construction in Asia. They also encouraged the AIIB and other lenders to get involved in the “One Road, One Belt initiative” that aims to improve China’s trade and infrastructure links to Asia and beyond. The bank elected China’s Finance Minister Lou Jiwei Chairman of the AIIB Council and Jin Liqun its first President. It is expected to launch its first loans by mid-2017. President Jin Liqun said a special unit will be set up responsible for compliance, effectiveness and integrity, which will exercise oversight of the management and report directly to the Board. “Staying committed to business first, government support and solid market principles, the AIIB is in a position to provide developing members with low-cost, technology-intensive, energy-efficient and environmentally-friendly solutions, equipment and financing support to facilitate industrialization and urbanization", Premier Li Keqiang told the first meeting of Governors. The lender planned to raise capital in currencies including U.S. dollars, euros and the yuan, while making loans in U.S. dollars. The AIIB would welcome the United States and Japan, two countries that declined invitations to join the bank, AIIB President Jin said.

- The People's Bank of China (PBOC) plans to keep the yuan basically stable against a basket of currencies, and fluctuations of the yuan against the U.S. dollar will increase, Chief Economist Ma Jun said. He added that the yuan will not be strictly pegged to a currency basket.
- The Bank of Shanghai has a new President who is expected to take charge of the lender's initial public offering (IPO). Vice President Hu Youlian was promoted to President as part of the latest personnel changes in senior management in the city's banking system. The post had been left vacant since last February.
- The People's Bank of China (PBOC) on January 11 fought off an attack on the yuan by currency speculators. CNH Hibor, or the interbank rate for offshore yuan in Hong Kong, shot up by 10% to 13.396%, the highest on record since the Treasury Markets Association started fixing the interest rate in June 2013. The one-week rate jumped 417 basis points to 11.23% while the three-month rate rose 91 basis points to 7.24%.
- Pan Gongsheng, Vice Governor of the People's Bank of China (PBOC), has been appointed Party Secretary of the State Administration of Foreign Exchange (SAFE), replacing Yi Gang, who is also a PBOC Vice Governor. Pan has vowed to push for the full convertibility of the yuan under the capital account and crack down on violations of foreign currency regulations. His appointment comes amid a fall in the yuan and mounting capital outflows after the surprise devaluation of the currency last August.
- Guangdong police cracked 83 cases involving transactions through secret private banks between April and December. Police uncovered 79 illegal sites and detained 231 suspects. Police said private banks had become a channel for online gambling, telephone fraud, moving suspected drug traffickers' money in and out of the country, and domestic corrupt officials sending their bribes abroad. At least CNY207 billion was channelled out of Guangdong last year in illegal money transfers – seven times as much as in 2014.
- The World Bank has appointed Yang Shaolin, Director General of the Ministry of Finance's Department of International Economic and Financial Cooperation, as Chief Administrative Officer and Managing Director. The appointment is effective from February 29. It is a new position, created to bring together organizational strategy, budgeting and planning, and information and technology, among other responsibilities.
- The People's Bank of China (PBOC) gave approval to seven foreign financial institutions to register with the China Foreign Exchange Trading System, giving them access to the Chinese forex market. The seven newcomers are the Reserve Bank of India, the Bank of Korea, the Monetary Authority of Singapore, Bank Indonesia, the Bank of Thailand, the Bank for International Settlements, and the International Finance Corp. The move brought the total number of central banks and similar institutions in the market to 14.
- Lakala Group, a payment service provider, plans to apply for all seven of China's financial services licenses to become a composite financial group, according to its Chairman Sun Taoran. It has already applied for an insurance license. Over the past decade, the company has spent around 7% of its turnover on developing its own systems.
- China plans to join the Coordinated Portfolio Investment Survey conducted by the IMF, which requires participating economies to provide data on their external portfolio securities investment. China has also joined a survey conducted by the Bank of International Settlements (BIS) on its banks' outstanding external assets and liabilities, the State Administration of Foreign Exchange (SAFE) said in a statement.
- China has no intention to stimulate exports through competitive currency devaluation, and there is no basis for the renminbi to continue exchange rate depreciation, Premier Li Keqiang said while meeting with Suma Chakrabarti, President of the European

Bank for Reconstruction and Development (EBRD) in Beijing. China is able to keep the RMB exchange rate stable at a reasonable and balanced level, Li added.

FOREIGN INVESTMENT

China becomes Malaysia's largest foreign investor

China is now Malaysia's largest foreign investor, following the recent acquisition of 1MDB assets. In the space of less than two months, China has bought two multi-billion-dollar strategic assets from Malaysia's debt-laden state-owned investment firm, 1Malaysia Development Berhad (1MDB). "China's successful bid for 1MDB's power assets and property projects has helped 1MDB decrease its debt burden and resolve 1MDB indebtedness," said Yeah Kim Leng, Dean of the School of Business at the Malaysia University of Science and Technology. China General Nuclear Power Corp, a Chinese state-owned enterprise, paid USD2.3 billion to acquire 1MDB's Edra Global Energy last November. Edra is the country's second largest power producer, giving China a major foothold in the energy sector. In December, China Railway Construction Corp (CRCC) teamed up with Malaysian Iskandar Waterfront Holdings (IWH) to buy a 60% stake in 1MDB's property project Bandar Malaysia for USD1.7 billion in a 40:60 joint venture.

In 2014, foreign direct investment (FDI) to Malaysia mainly originated from Singapore, Japan, the Netherlands, the U.S. and Norway, amounting to USD58 billion, or 55.1% of total FDI. "I do not expect China's pole position for FDI to be sustainable as Malaysia wants to move up the value chain into high technology. That will come from its traditional FDI sources of U.S., Japan, EU and Singapore," says Yeah Kim Leng. China, however, has been Malaysia's largest trading partner since 2009, and is both the largest market for Malaysian exports and the largest importer to Malaysia.

Foreign investors set up 26,575 new enterprises last year

China's foreign direct investment last year rose 6.4% to CNY781.3 billion compared to 2014's increase of just 1.7%, China's Ministry of Commerce (MOFCOM) said. Foreign investors set up 26,575 new enterprises on the Chinese mainland in 2015, 11.8% more than the year before and taking the number of foreign-invested firms to 836,404 by the end of the year with a total investment of USD1.64 trillion. The value of a foreign investment project averaged USD15.3 million in 2015, 5% more than 2014's USD14.5 million. Foreign capital channeled into the service sector rose 17.3% to USD77.2 billion, leading FDI growth and making up 61.1% of the total. Investment in high-tech manufacturing grew 9.5%. Industries with serious overcapacity, such as steel, cement, shipbuilding and glass, had almost no foreign investment, the Ministry said. Audi, Volkswagen, Daimler, Lufthansa, Fiat, Volvo, Hyundai, Samsung Electronics, Intel and Itochu launched new projects worth more than USD100 million. By the end of 2015, China was also home to 2,400 foreign-invested research and development (R&D) centers, the Shanghai Daily reports. Foreign-invested companies accounted for almost half of China's outbound trade, a quarter of its industrial output, a seventh of its urban employment and a fifth of taxes.

- China's efforts to exclude foreign technology companies through new laws and funnel investments into its domestic semiconductor industry are among the worst protectionist policies hurting global innovation, according to a new study by the U.S. think tank, the Information Technology and Innovation Foundation (ITIF). The ITIF roughly defines "innovation mercantilism" as a national strategy to achieve prosperity through technology-based exports, while relying on protectionist tactics.
- The top Chinese firms in the United Kingdom have been accelerating their growth rate, according to the latest Tou Ying Top 25 tracker, which examines the performance of the 25 fastest-growing Chinese firms in the country. Now in its third year, the tracker showed their total revenue in 2014 reached GBP35 billion, against GBP25 billion in 2013 and GBP17 billion in 2012. Major Chinese firms in the UK include Sinochem, PetroChina, Bank of Communications (BoCom), Agricultural Bank of China (ABC), and China Taiping Insurance Holdings.
- Chipmaker Qualcomm said it is building a CNY1.85 billion joint venture in Guizhou province to produce server chips for the domestic market. Named the Guizhou

Huaxintong Semi-Conductor Technology Co, the joint venture will be 55% owned by the Guizhou provincial government's investment arm and 45% by a Qualcomm subsidiary. As part of the deal, Qualcomm will also license its proprietary server chip technology and provide research and development processes to the venture.

FOREIGN TRADE

Foreign trade outlook for 2016 remains gloomy

Forecasts for China's foreign trade remain gloomy, according to China's General Administration of Customs (GAC). “The double decrease in imports and exports last year is due to the economic slowdown and weak demand throughout the world,” said General Administration of Customs Spokesman Huang Songping. Chinese exporters faced challenges last year, Huang said, with 2015 exports totaling CNY14.14 trillion, down 1.8% from 2014 and the first export decline since 2010. Imports fell by 13.2% to CNY10.45 trillion last year, and the combined volume of imports and exports stood at CNY24.59 trillion, a 7% year-on-year decline. Huang forecast that China's foreign trade this year will remain at the same level as last year, despite encouraging numbers in December, when exports increased by 2.3% to CNY1.43 trillion. China is losing its edge on cheap labor, said Tong Jiadong, Vice President of Nankai University. “The competition is getting more intense. As the country tries to replace outdated manufacturing capacity, new trading methods and high-end products with more added value need to be encouraged,” Tong said.

Export figures stronger than expected in December

Dollar-denominated exports fell 1.4% in December, much less than the market-expected drop and better than the 6.8% fall in November. Exports rose 2.3% last month in yuan terms, the General Administration of Customs said. Imports, meanwhile, fell 7.6% in dollars last month, the 14th consecutive month of decline. Analysts also noted that a marginal recovery in domestic demand as well as rises in the prices of imported metal and industrial products lifted imports. The European Union remained China's largest trading partner in 2015 with a trade value of CNY3.51 trillion. It was followed by the United States and the ASEAN countries, which shipped goods worth CNY3.47 trillion and CNY2.93 trillion respectively. Foreign trade involving China's private firms in the year edged down 0.2% to CNY9.1 trillion, better than the average and accounting for 37% of the total. Private exporters reported a 3.1% increase in business. Exports of electrical machinery grew 1.2% last year to CNY8.15 trillion, or 57.7% of total exports. Traditional and labor-intensive exports such as toys, textiles, clothes, shoes and furniture saw a cut of 1.7% to CNY2.93 trillion, or 20.7% of the total. Last year's trade surplus surged 56.7% on an annual basis to CNY3.69 trillion, with the growth faster than the pace of 45.9% in 2014.

- The European Union said it would wait until later this year to decide if China should be considered a market economy. European Commission Vice President Frans Timmermans made the announcement after a special debate on the issue. It would allow China to use its own calculations in anti-dumping investigations. There are 52 anti-dumping measures in force against China in the EU, mainly covering the key industries of steel, mechanical engineering, chemicals and ceramics.
- China will set up 12 more pilot zones for cross-border e-commerce in Shanghai, Tianjin, Chongqing, Hefei, Zhengzhou, Guangzhou, Chengdu, Dalian, Ningbo, Qingdao, Shenzhen and Suzhou. The move followed the approval of a pilot zone in Hangzhou, where Alibaba is based, in March. The Ministry of Commerce (MOFCOM) predicted the trade volume of cross-border e-commerce this year to rise to CNY6.5 trillion and account for 20% of China's foreign trade in a few years.

MACRO-ECONOMY

2016 to be difficult year for China's economy, warns NDRC

China's Gross Domestic Product (GDP) grew by an estimated 7% in 2015, roughly in line with government targets, Li Pumin, Secretary General of the National Development and Reform Commission (NDRC), said at a press conference. He also warned that 2016 will be a difficult year for the country's economy. A total of 13 million new jobs were created, better than the official target of 10 million, and with inflation tame at 1.4%. Li's comments come at a time when turbulent Chinese stock markets and a sharp decline in the yuan's exchange rate have sparked concerns over a potential “hard landing”. The 7% GDP growth, though down from the 7.3% growth in 2014, is slightly higher than estimates of some international financial institutions, such as 6.8% by Goldman Sachs and Moody's, and 6.9% by Standard & Poor's. GDP growth in the first three quarters of 2015 was 7%, 7% and 6.9%, respectively. Li said China approved 280 fixed asset investment projects worth CNY2.52 trillion in 2015, with 32 projects worth CNY515.1 billion approved in December alone. Wang Tao, Chief China Economist at UBS Securities, said that 2016 will be a “difficult year” in terms of economic development, and GDP growth will slow down further to 6.2% for the whole year, the Global Times reports. China is set to release fourth-quarter and full-year GDP data on January 19.

- A study by Peking University's Institute of Social Science Survey has found that China's richest 1% own a third of its wealth – of which the poorest 25% own only 1%, the Financial Times reported. The study, based on a survey of nearly 15,000 households across 25 provinces, also found China's Gini coefficient for income, a measure of inequality, was 0.49 in 2012, well above the World Bank's standard for severe inequality of 0.40.
- President Xi Jinping has ruled out new development projects on the Yangtze river in a move to protect the river, but authorities were not likely to surrender development plans, analysts said. During a trip to Chongqing, Xi said that after decades of construction, environmental protection and restoration would be a “dominant focus” for the Yangtze River Economic Belt.
- Layoffs in industries plagued by overcapacity are expected to reach 3 million in the next one or two years, according to the China International Capital Corp (CICC). The estimate is based on the assumption that the coal, steel, electrolytic aluminum, cement and glass industries, which are mired in overcapacity, will shed 30% of their capacity.
- The National Development and Reform Commission (NDRC) has approved over CNY180 billion of investment projects during the first 10 days of January, including two new rail lines and CNY150 billion of road projects.
- More favorable policies will be granted to small and medium-sized high-tech enterprises by the government to encourage startups and innovation, the Chinese government announced following an executive meeting presided over by Premier Li Keqiang. The measures include relaxing the requirement for the percentage of workers who have received higher education from no less than 30% to no less than 10%, and lowering the requirement of the entry level for research funding from 6% to 5% of a company's entire funding.
- China aims to contribute more to setting global economic rules as it prepares to host the G20 summit in September, according to observers at the First G20 Sherpa Meeting in Beijing. The three-day gathering was attended by senior officials as part of the run-up to the summit in Hangzhou, Zhejiang province.
- Fewer wealthy Chinese are “extremely confident” about China’s economic prospects in the next two years, according to the Chinese Luxury Consumer Survey by the Hurun Report. Only 27% of respondents said they remain “extremely confident” about the prospects of the economy, down from 35.8% in 2014. The survey covered 458 wealthy people with personal assets of over CNY10 million, and 57 who have assets above CNY100 million.

MERGERS & ACQUISITIONS

Chinese investors take over KraussMaffei Group

A group of Chinese investors including China National Chemical Corp (ChemChina) agreed to buy KraussMaffei Group for €925 million in the biggest-ever Chinese investment in Germany. The group, which also includes Guoxin International Investment Corp and private equity firm AGIC Capital, agreed to buy the plastics processing machinery maker from Canada’s Onex Corp. The amount surpassed the previous record for Chinese investment in Germany set in

2012 when construction firm Sany Heavy Industry Co bought concrete pump maker Putzmeister Holding for USD698 million. “We see big opportunities in industrial development, particularly in intelligent manufacturing,” said Henry Cai, a former China dealmaker at Deutsche Bank and UBS that launched AGIC Capital in 2015. For ChemChina, the deal comes after a €7.3 billion purchase last year of tire manufacturer Pirelli and talks to buy Swiss agrichemicals group Syngenta. The KraussMaffei deal is set to close in the first half of 2016 subject to regulatory approval. The investment is the first for AGIC, which launched its initial fund in March and raised USD500 million by August with a target to raise another USD500 million in coming months, the Shanghai Daily reports.

China Tianying aims to take over EEW

China Tianying, a Jiangsu province-based solid waste treatment company listed on the Shenzhen Stock Exchange, is eyeing the possible USD1.8 billion take-over of German rival EEW, which is considered Europe's market leader in waste-to-energy conversion. “EEW has the advantage of managing a single power plant which disposes of garbage of high calorific value, while China Tianying is strong in integrating equipment for waste-to-energy and burning garbage of low calorific value,” Yan Shengjun, Tianying's Chairman said. “The two are complementary on technology, operation, capital and market.” Tianying began building waste-to-energy power plants in 2005 and had net profits of CNY175 million in 2014. This year forecasts are for CNY222 million to CNY252 million. State-owned Beijing Enterprises Group Co is also believed to be among the suitors bidding for EEW. There was just one overseas M&A deal involving a Chinese environmental company in 2012, but last year there were eight, the biggest by Beijing Capital Co, buying a 65% stake in BCG NZ Investment Holding, a New Zealand waste management company. Lin Boqiang, Professor in energy economy at Xiamen University, said the growth in overseas M&A activity demonstrates the ambition of Chinese environmental companies, the China Daily reports.

Haier buys General Electric’s appliances business

Haier Group, China's biggest manufacturer of household appliances, agreed to buy General Electric Co's appliances business for USD5.4 billion in cash in the country's biggest acquisition of an overseas electronics company. The deal is expected to be completed in the second quarter of this year, pending regulatory approval. The management team at GE's appliances unit will remain unchanged. Haier is authorized to use GE's brand for at least 40 years. In 2014, GE announced that it planned to sell its century-old appliances units to Electrolux, the Swedish appliance maker, for USD3.3 billion. However, the deal collapsed last month because of opposition from the U.S. Justice Department, forcing the company to seek another buyer. Haier and another Chinese home appliance company, Guangdong-based Midea Group, were among suitors that submitted bids for GE's home appliances business. The deal would help Haier expand in the U.S. market. The Chinese home appliances market is almost saturated, so domestic makers are looking overseas to find new business growth points, the China Daily reports. With a 10.2% market share, Haier was the world's largest household appliances brand in 2014 for the sixth straight year, according to Euromonitor.

- Chinese conglomerate Dalian Wanda Group has bought a majority stake in U.S. film studio Legendary Entertainment for about USD3.5 billion. The deal is “the largest cross-border cultural acquisition made by a Chinese company to date,” according to a statement by Wanda. The deal will enable Wanda to become the world’s largest player in the movie industry in terms of revenue. The company is already the world’s biggest movie theater operator after buying AMC Entertainment Holdings, North America’s second-largest cinema chain, for USD2.6 billion in 2012.
- Hong Kong retailer Walker Group is selling a 60.35% controlling stake in the company at a 27% price premium to China Consume Elderly Care (CCEC) for HKD470 million. Seychelles-incorporated CECC is seeking a backdoor listing.
- Greece only received a single bid – from China’s Cosco Group – for a 51% stake in Piraeus Port Authority, the operator of the country’s biggest port. The sale could fetch about USD179 million. Would-be buyers may opt to acquire an additional 16% stake over five years after completing mandatory investments of about €300 million. Cosco has been operating one of the port’s container terminals since 2009.

REAL ESTATE

Home prices to rise moderately in 2016

Home prices in China's first and second-tier cities are set to grow moderately in 2016 while those in third-tier cities might be subdued amid high inventory and flat demand, according to the latest forecasts by UBS. "The country's four gateway cities are expected to record an average year-on-year increase of at least 5% in home prices whereas in second-tier ones the annual growth should be no more than 5%," said Eva Lee, head of China Real Estate Research at UBS. She added that prices in third-tier cities are unlikely to rise amid oversupply. First-tier cities are in relatively better shape and the inventory of second-tier cities will also gradually improve, according to UBS, but third-tier cities still face higher inventory that will take some time to resolve. The overall supply of residential properties nationwide might fall 14% in 2015 from a year earlier, with a sharper drop in supply in first and second-tier cities. Lee expected more cuts in interest rates and reserve requirement ratios (RRRs), and easier mortgage policies this year, the Shanghai Daily reports.

- Hong Kong developer New World Development has reiterated its recent asset disposals in tier-three and four cities do not mean it is withdrawing from China, saying its controlling shareholder Chow Tai Fook Enterprises has in fact committed about CNY50 billion to three commercial projects on the mainland. New World China Land last month sold three projects – one each in Hubei, Guangdong and Hainan provinces – to Evergrande Real Estate for HKD16.36 billion. This month New World Development and controlling shareholder Chow Tai Fook Enterprises announced the sale of five more projects in mainland China to Evergrande for HKD24.4 billion.
- Debt-laden Chinese developer Evergrande Real Estate announced U.S. bonds offerings totaling USD700 million. The Guangdong-based developer said it issued USD400 million worth of notes at 7.8% due in 2019. It also said it had a purchase agreement with three investment banks for USD300 million worth of notes at 8% due 2019. Evergrande intends to use the proceeds to refinance its 9.25% CNY3.7 billion bond due January 19 and other existing debts of the group.

RETAIL

China to become Starbucks' largest market

Starbucks announced plans to make China its biggest market by 2019, with almost 1,400 new shops set to open to reach 3,400. They will be creating 10,000 jobs every year until then, making China the largest market outside the United States. The coffee chain claimed it had not experienced the slump in China plaguing American eateries such as KFC and Pizza Hut. New Starbucks stores that opened in fiscal year 2015 have outperformed the average sales of those opened in the last seven years. “We are deeply humbled by the enthusiasm with which Chinese people have embraced Starbucks as part of their daily ritual over the past 17 years,” Starbucks CEO Howard Schultz said. The company hopes to attract new staff with the offer of a monthly housing allowance subsidy, covering 50% of an employee’s monthly housing expenditures.

- China's two biggest female fashion shopping sites have merged, creating a combined business worth an estimated USD3 billion. Meilishuo.com has joined forces with rival Mogujie.com, marking one of the country's most significant e-commerce mergers to date. The two brands will continue to operate independently and their original organizational structures and management will remain unchanged.

SCIENCE & TECHNOLOGY

Hong Kong and Macao universities among most international

The University of Hong Kong and the University of Macao reached the top 10 of the world’s most international centers of higher learning, according to the World’s Most International Universities Ranking 2016 by Times Higher Education. Criteria included the proportion of international staff, the number of international students, and the volume of research papers published with at least one co-author from another country. Qatar University was named the most international institution.

- There has been an increase in the number of overseas students enrolling for degree courses in Shanghai universities. Though the number of overseas students remained between 50,000 and 60,000, the number of students applying for degrees has been increasing. A total of 16,000 overseas students were seeking degrees in Shanghai, which was up 3.5% from 2014. 317 courses taught in English have won financial support from the government.
- China plans to land the first probe on the dark side of the moon in 2018, marking another milestone in its ambitious space program. The Chang'e-4 will study geological conditions on the moon.

STOCK MARKETS

Advisor calling for stronger market regulation

Financial regulators must have the courage to stand against the market. “Financial supervision must get teeth, as words without acts are not enough,” writes Liu He in the preface of the book “Financial Supervision in the 21st Century”. Liu is Director of the General Office of the Leading Group for Financial and Economic Affairs. “Liu He isn’t offering any concrete advice, but his point is that China needs to enhance financial supervision,” said Cao Fengqi, Finance Professor with Peking University. Cao said China should merge its three regulators – the securities, banking and insurance watchdogs – into one super-commission. “Financial activities are increasingly blurred, but regulation is still segmented, causing problems with overlaps, inefficiency, void and regulatory arbitrage,” said Cao.

- Nicholas Brady, 85, the former United States Treasury Secretary who proposed the stock market circuit breaker after the 1987 crash said Chinese officials must revise the mechanism to avoid creating panic. Trading was halted twice in its first week of operation, bolstering speculation China had set the threshold too low at 7%. “The right thing to do is to widen their band,” Brady said. In the U.S. it takes a 20% decline to suspend trading for the day.
- The Shanghai Composite Index dropped to 2,949.6 points at close on January 13 – the lowest level since August and below the key 3,000 level. The Shenzhen Component Index dived to 9,978.82, falling below the 10,000-point level.

- On January 15, the Shanghai Composite Index tumbled another 3.5% to close at 2,900.97 points, its lowest level in 13 months. The index has declined by 18% since the start of the year, moving closer to the 20% loss which is technically considered a bear market.The Shenzhen Component Index fell 3.35%, closing at 9,997.92. However, “no forced liquidations by major shareholders that obtained bank loans using stock as collateral have taken place,” Deng Ge, Spokesman for the China Securities Regulatory Commission (CSRC) said. The value of risky bank loans using stocks as collateral stood at CNY4.1 billion, accounting for about 0.6% of total loans.

TRAVEL

Shanghai Disneyland to open on June 16

The Disneyland theme park and resort in Shanghai will open its doors on June 16, the Walt Disney Co and its Chinese partner announced. Construction work on the USD5.5 billion project, located in the Chuansha township of the Pudong New Area in Shanghai, has been completed, the two companies said, adding that the theme park will be the first of its kind to use mobile technologies for crowd management. Shanghai Disneyland is a joint venture between the Walt Disney Co (43%) and Shanghai Shendi Group (67%). The theme park will feature Disney's tallest castle, two hotels, a pirate-themed park, shopping, dining and entertainment areas, and a 40-hectare “Wishing Star Park” with natural scenery. The Shanghai theme park is the United States-based Disney's first project on the Chinese mainland and will be three times the size of the theme park it set up in Hong Kong in 2005.

- Following the take-over of aircraft leasing firm Avalon by HNA Group subsidiary Bohai Leasing, HNA Group is now the world’s fourth largest in aircraft leasing by asset value after Gecas, AerCap and Air Lease Corp.
- Preliminary work is to start in Xinjiang on a railway linking China with Iran via Kyrgyzstan, Tajikistan and Afghanistan within five years. The railway will run from Xinjiang's Kashgar to Afghanistan's Herat, then go through Kyrgyzstan and Tajikistan and finally connect with the Iranian railway network. Xinjiang also began preliminary work on the China-Pakistan railway and the China-Kyrgyzstan-Uzbekistan railway. Xinjiang will also launch more flights connecting Central Asia, Western Asia and Europe.
- The Shanghai Airport Authority announced the launch of a new scheme that allows Chinese passengers flying from Hongqiao Airport with China Eastern Airline, and carrying only hand luggage, to bypass the usual check-in procedure. As long as they have checked in via the China Eastern website, they can proceed directly to the security check where they will be asked to show their identity cards. With traveler numbers set to soar over the coming weeks in the run-up to the Chinese New Year on February 8, passengers are advised to allow for more time to complete the various procedures.
- China Railway Rolling Stock Corp’s overseas subsidiary Delkor Rail has won a USD10 million order from London Underground for the supply of underground-train parts. Delkor Rail, a leading supplier of quality noise- and vibration-attenuation products and solutions, is fully owned by CRRC Zhuzhou Electric Locomotive.
- China's railways received CNY823.8 billion in investments in 2015, slightly higher than in 2014 but well above the annual target of CNY800 billion. In 2015, 9,531 kilometers in new lines were put into operation, including 330.6 km for high-speed railways. So far, China operates 121,000 km of railways, of which 19,000 km of high-speed railways, the most in the world, according to China Railway. In the 13th Five Year Plan (2016-20) period, fixed-asset investments in railways will be between CNY3.5 trillion to CNY3.8 trillion.

ONE-LINE NEWS

- China will not relax its anti-graft effort this year, President Xi Jinping has declared, and the campaign will lead to the grassroots level after rooting out corrupt high-ranking figures in the central government. Xi was speaking at a conference of the country's top graft-buster, the Communist Party of China's Central Commission for Discipline

Inspection (CCDI).

- Former Vice Minister of Public Security Li Dongsheng was jailed for 15 years for accepting bribes worth around CNY22 million, a court in Tianjin announced.
- China Unicom and China Telecom reached an agreement to share resources to jointly build networks, explore innovative internet businesses, as well as negotiate international roaming rates to ramp up competition with industry leader China Mobile.
- Lenovo Group last year continued to extend its lead in the declining global personal computer market, which is forecast to post a modest recovery by the second half of 2016. The company recorded an average 20% market share for 2015. That growth was in stark contrast to the overall state of the personal computer industry, which recorded total worldwide shipments below 300 million units for the first time since 2008.
- China National Petroleum Corp (CNPC) has completed construction of its first national-level shale gas pilot zone in Sichuan province. The zone now has 83 wells in the province's Yibin and Neijiang cities with an annual production of 2 billion cubic meters. Sinopec said in December that its Fuling shale gas project in Chongqing achieved an annual production capacity of 5 billion cu m.
- Wei Hong, Governor of Sichuan province, is under investigation by the Central Commission for Discipline Inspection (CCDI), suspected of corruption. He became provincial Governor in January 2013.

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This newsletter is realized with the support of Flanders Investment & Trade.

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