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

NEWSLETTER | 14 MARCH 2016

FCCC/EUCBA ACTIVITIES

Seminar: How to Succeed in the Chinese Market – 16 March, 15h30 – Ghent

The Flanders-China Chamber of Commerce is organizing a Seminar focused on: '*How to Succeed in the Chinese Market'*. This event will take place at 15h30 on Wednesday 16 March 2016 at the Club of Flanders, Sint-Pietersnieuwstraat 11, 9000 Ghent.

The aim of the event will be to share, discuss and exchange knowledge and experiences between companies doing business with or investing in China.

The programme will be as follows:

15h00	Registration
15h30	Introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
15h35	*Case studies* of doing business and investing in China, by Mr Robert De Regge, CEO-ad interim and Chairman of the Board of Directors, Vitalo; and Mr Dirk Laeremans, General Manager, Orientas
17h00	Exchange of views and networking drink

If you are interested in attending, please register online at www.flanders-china.be.

Participation fee for FCCC members: 45€ (incl. 21% VAT), non-members: 90,75€ (incl. 21% VAT).

Briefing: What Does China's "New Normal" Mean for Multinational Companies? – 18 April 2016 – Brussels

The Flanders-China Chamber of Commerce and The Conference Board are organizing a briefing focused on 'What does China's "New Normal" Mean for Multinational Companies ?'. This briefing will take place on 18 April at 16h00 at The Conference Board, 178 Chaussée de la Hulpe, 1000 Brussels.

Chinese President Xi Jinping has been repeating for over a year that the Chinese economy has entered a "new normal" of "moderate to high growth", implying that China's GDP will be growing at the lower rate of 6.5% to 7%. What do MNCs need to know about this "new normal"?

David Hoffman, Senior VP Asia and Managing Director of The Conference Board China Center for Economics & Business, will deliver a special briefing to help MNCs dimension the current state of play in China:

- An appraisal of recent economic, financial market and political economy developments
- How these developments fit into the big picture scheme of China's momentous transition
- What they imply for the near- and medium-term business environment for MNCs and foreign investors in China

David will also provide an introduction to the concept and components of "global China exposure", and how "geo-economic" propagations and exertions from China will (and could) impact the global business environment.

Mr Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce, will facilitate the briefing.

If you are interested in attending, please register online at www.flanders-china.be before 12 April 2016. Participation fee for FCCC members: 80,5 € (incl. 21% VAT), non-members: 108,9 € (incl. 21% VAT).

The briefing will be conducted according to the Chatham House Rules (1).

We very much hope you will be able to join us and share your views.

(1) Participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

China Mission East-Flanders – 28 May – 4 June – Beijing, Shanghai, Tianjin, Shijiazhuang

China, the largest economy and the most dynamic consumer market in the world, is no longer only a production or sourcing country. It is a huge market for European products which have a stellar reputation with the consuming Chinese middle class. Thousands of Flemish companies are active in China. 2016 is an excellent moment in time for your company to participate in the East-Flanders trade mission, organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce. On the programme are B2B meetings, visits to companies, ports and industrial zones. Also planned are meetings with Chinese authorities and networking with Chinese and Belgian business partners. We will visit four important cities: Beijing, capital of China; Shanghai, the biggest city of China; Tianjin, the most important port city in North China; and Shijiazhuang, provincial capital of Hebei. The Province of East-Flanders opens doors. The trade mission is headed by the Governor of the Province of East-Flanders Jan Briers and Vice Governor Geert Versnick. For more than 25 years, East-Flanders has had close relations with the Chinese Province of Hebei. The presence of the Governor and Vice Governor will certainly open doors to your company!

More information and subscription

The trade mission is organized by the Province of East-Flanders, Voka Chamber of Commerce East-Flanders and Flanders Investment & Trade, in cooperation with the Flanders-China Chamber of Commerce.

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2016

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.

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

The sponsoring opportunities are the following:

1. SPONSORING OF ACTIVITIES

During FCCC activities, you can put a banner of your company at the event and distribute documentation of your company and obtain free invitations.

Invitations are distributed via E-mail and the FCCC website and newsletters. The events are announced in different media channels.
The fee is according to each different event.

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3. SPONSORING IN THE FCCC WEEKLY NEWSLETTER

Every Monday, the weekly Newsletters are sent and posted on the FCCC website.

Number of recipients every week: 1200 executives dealing with China

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SPONSOR (3 months): 895 €

4. SPONSORING IN THE QUARTERLY E-NEWSLETTER IN CHINESE AND ENGLISH LANGUAGE: "NEWS FROM THE HEART OF EUROPE: FLANDERS"

- Newsletters are also posted online at the FCCC website
- 1 issue every quarter
- Number of direct recipients: +/- 2000 Chinese and Belgian business leaders, local authorities and institutions
- Distributed through the different Chambers of Commerce in China
- Your logo on the electronic newsletter and a 200-word profile of China activities

GOLDEN SPONSOR: 1.650 € -3 issues
SILVER SPONSOR: 1.250 € - 2 issues

Amounts are excl. VAT.

5. SPONSORING 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 organisation registered in Belgium.
The FCCC holds the secretariat-general of the EUCBA.

The EUCBA organises high-level EU-China events and also publishes a Quarterly newsbulletin.
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

PAST EVENTS

Seminar: How to Prepare for Trade Fairs in China: Selection Advice, Negotiation Tips and IP Protection – 2 March 2016 – Eurochambres, Brussels

The EU SME Centre and the China IPR SME Helpdesk organized a half-day training seminar, on 2nd March in Brussels, to learn all you need to know about preparing for trade fairs in China. This seminar was organized with the support of the EU-China Business Association and Eurochambres.

During this seminar, the EU SME Centre's expert Rafael Jimenez, alongside Simon Cheetham, Team Leader of the China IPR SME Helpdesk, shared their insights on the following topics:

- What to do in preparation for a trade fair in China?
- Which fair should I choose to attend in China?
- Practical tips for business negotiation in China
- Key protection measures SMEs can take before attending trade fairs in China
- Collecting evidence of IP infringements

FCCC Chinese New Year Reception – 3 February 2016 – Brussels

On 3 February the Flanders-China Chamber of Commerce (FCCC) organized its annual Chinese New Year Reception at KBC Bank in Brussels. Speakers at this event were:

- 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

Special thanks to KBC Bank at which the reception was organised and also its golden sponsor: ZTE, silver sponsors: Deme and Maasmechelen Village.

Pictures of the event can be viewed online.

EUCBA: Exclusive Luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU – 3 February 2016 – Brussels

The EU-China Business Association (EUCBA) organized an exclusive luncheon with Her Excellency Mrs Yang Yanyi, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU on 3 February 2016 in Brussels. Following a networking cocktail, Mr Stephen Philips, Chairman of the EUCBA, introduced the speaker. Ambassador Yang Yanyi delivered the keynote speech on the developments of EU-China relations. Mr. Bert De Graeve, Chairman of the Flanders-China Chamber of Commerce (FCCC) presented the conclusions of the event.

Pictures of the event can be viewed online.

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

The European Union Chamber of Commerce in China, the EU-China Business Association and BUSINESSEUROPE organized 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 event took place on 28 January, 2016 at Thon Hotel EU in Brussels. The purpose of this event was to take stock of the most important developments in the EU-China relations and how this affects EU businesses.

Following an introduction by Mr Markus Beyrer, Director-General, BUSINESSEUROPE, Ms Cecilia Malmström, European Commissioner for Trade delivered a keynote speech on EU-China business relations. Her speech was followed by a speech by Mr Jörg Wuttke, President, European Union Chamber of Commerce in China and another one by Mr. Jo Leinen, Member of the European Parliament and Chair of the Delegation for relations with the People's Republic of China. Following a moderated panel discussion and Q&A, Mr. Bert De Graeve delivered the closing remarks on behalf of the EU-China Business Association.

During the event, representatives from the European Chamber's working groups were on-site to 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.

ADVERTISEMENT

NPC & CPPCC SESSIONS

Increase in fiscal deficit affordable, says Finance Minister

China can afford to expand its fiscal deficit this year while reining in risks associated with the overall debt level, Finance Minister Lou Jiwei said in response to Premier Li Keqiang's Government Work Report, which vowed to continue to fund massive state-led infrastructure projects while lowering tax levels for more industries. The government will raise the level of deficit to allow for the capital outlays needed for the new projects, Lou said. China plans to raise the deficit-to-GDP ratio to 3% this year, from 2.3% in 2015. Finance Minister Lou Jiwei also ruled out the possibility of raising the monthly income tax exemption threshold, which has remained unchanged since being raised in 2011 from CNY2,000 to CNY3,500. He said the government instead is considering adopting various exemption standards based on individual financial burdens.

- The central government will continue to promote peace and development on both sides of the Taiwan Strait by launching more pilot reform programs in Fujian province, Premier Li Keqiang said. He praised the province for becoming one of the fastest-growing by taking advantage of its Free Trade Zone (FTZ) targeted mainly enterprises from Taiwan. Fujian's GDP growth rate reached 9% last year, while the national average fell to 6.9%.

- Losang Jamcan, Governor of Tibet, said that a second railway to Lhasa would help raise incomes and bring better infrastructure. The 1,800-kilometer line would link Lhasa with Chengdu with an estimated travel time of 13 hours. The second railway would complement a 1,956-kilometer line that opened in 2006 and links Lhasa to Golmud in Qinghai province. 20 million tourists visited Tibet in 2015, a 29% rise on 2014.
- Ideas and suggestions from foreign experts, including Nobel Prize winners, were taken into account in the Government Work Report which Premier Li Keqiang presented to the National People's Congress (NPC) on March 5. 13 foreign experts from seven countries shared their ideas with the Chinese government in January. Jeffrey Lehman, Vice Chancellor of New York University's Shanghai campus, said it was extraordinary for the Chinese government to seek input from foreign experts during the process of preparing the report.
- China International Capital Corporation (CICC), China's top investment bank, foresees the energy sector will benefit from measures announced in the government report at the National People's Congress (NPC) that proposes to upgrade power supply in rural areas. More than CNY700 billion of investment is planned. The average annual investment in rural power networks over the 13^{th} Five Year Plan period shall substantially exceed that of the 12^{th} Five Year Plan, CICC said.
- Premier Li Keqiang has encouraged Guangdong province to take the lead in introducing more Chinese brands and products to markets in developed economies such as the United States and the European Union. Praising the province for its 0.8% export growth last year, he urged the province to further sharpen competitiveness. He made the remarks to about 160 deputies from Guangdong to the National People's Congress (NPC).
- Zhou Qiang, President of the Supreme People's Court (SPC), has asked the courts to improve the legal environment through the better handling of disputes involving foreigners, particularly in the marine sector. He said it is important for such cases to be heard in China, as the number has been growing over the past few years. Last year alone, 10 Chinese marine courts, including the Qingdao Maritime Court in Shandong province, concluded 1,030 cases involving foreign litigants – a 6.85% increase year-on-year. Last year in China, overall 15,348 civil and commercial cases involving foreigners took place.
- Environment Minister Chen Jining said China was spearheading efforts to promote the cleaner use of coal, requiring coal power plants to cut emissions to about on par with using natural gas, but he admitted proper governance and supervision were key to achieving a clean environment. The Minister refuted the claim that closing down polluting factories had stalled growth.
- China will continue to expose and punish corrupt senior government and party officials, judicial authorities said. Twenty-two high-ranking officials stood trial last year as part of the nationwide anti-graft campaign, with another 41 placed under investigation, up by 46% on 2014, according to the Supreme People's Procuratorate (SPP).

AUTOMOTIVE

Drop in vehicle sales in February

Vehicle sales in China dipped last month, trimming the combined January and February sales growth, the China Association of Automobile Manufacturers (CAAM) said. Deliveries of passenger cars and commercial vehicles dropped by 0.9% from a year earlier to 1.58 million units in February, after a 7.7% gain recorded in January. February's sales were also 36.9% down from January's when demand for cars rose in the run-up to the Spring Festival last month. Auto sales climbed 4.4% year-on-year to 4.08 million units in the first two months of the year. Passenger cars, including sedans, sport-utility vehicles (SUVs) and multi-purpose vehicles (MPVs), rose 5.1% from a year earlier to 3.61 million units in the past two months. The growth rate was 3.6 percentage points lower from the same period of last year. Sales in the SUV segment surged 54.8% year-on-year. Chinese brands advanced by 12.6% in the passenger car market, lifting their market share by 3.1 percentage points on an annual basis to 46%.

- Anhui Jianghuai Automobile Co, one of the few remaining major Chinese automakers without a foreign joint-venture partner, said it is in talks to cooperate with Volkswagen to gain more advanced technology. Jianghuai has set a target to sell 580,000 to 650,000 vehicles this year, compared with last year's deliveries of 588,052 units.
- BAIC Group is seeking to raise about CNY3 billion for its electric-car business. Beijing Electric Vehicle Co (BJEV), which is 60% controlled by BAIC, has attracted investments from technology companies including LeEco Holdings Co. BJEV plans to list on the exchange for start-ups. The automaker's electric-vehicle sales may more than double to 55,000 units this year from 20,000 last year, and reach as many as 700,000 units annually by 2020, according to Chen Ping, Chief Engineer of BJEV.
- Chinese carmaker Geely is considering making and selling cars in Western Europe, Managing Director An Conghui said in Gothenburg, Sweden, where he was discussing the possibility of setting up Geely's European head office near that of Volvo Cars, which it bought from Ford in 2010. However, Sweden is not the only country the company is considering, and no date has been set for production to begin in Europe. Geely already sells cars in Eastern Europe and Turkey.
- Miao Wei, Minister of Industry and Information Technology, said that annual sales of green vehicles would more than double in 2016 after strong growth last year. He added that the government would support it with policy incentives. More than 330,000 green cars were sold last year, a more than fourfold increase over the previous year. Minister Miao admitted that two bottlenecks remained: batteries' safety and reliability was a problem, and more charging stations should be set up to support the expected demand.

EXPAT CORNER

Five- and 10-year visas for experts promised

China is considering plans to make it easier for foreign experts to live in China, such as offering them five- or even 10-year multiple-entry visas. Zhang Jianguo, Director of the State Administration of Foreign Experts Affairs and a political adviser, said that this year he will try to make sure that the visa issue will not become a hurdle preventing high-end overseas talent from coming to China. "Many foreign experts wrote me e-mails to complain about the visa problem. They want five-year or even 10-year multiple-entry permits, which will make their visits easier," said Zhang, who is also a Member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC). "Most of them are high-end talented people. Some are even Nobel Prize winners. Currently, they can get only one-year or two-year multiple-entry permits, which are not very convenient for them." In contrast, many other countries have adopted a flexible visa policy for Chinese citizens. "For example, many Chinese businesspeople or even students can apply for 10-year multiple-entry permits in the United States. I think we should ensure that top overseas talented people who want to come and work in China can enjoy the same convenience", Zhang said. "We will encourage establishing a recruitment mechanism within research institutions, colleges and universities that will take job applications from around the world", he added, as reported by the China Daily.

FINANCE

China's forex reserves drop for fourth month

China's foreign exchange reserves fell by USD28.57 billion to USD3.2 trillion in February, the lowest since December 2011, but the decline was smaller than the drop of USD99.5 billion in January. The country's foreign exchange reserves have fallen four months in a row as the central bank dumps dollars to ease depreciation pressure on the yuan and prevent an increase in capital outflows. China's gold reserves amounted to USD71.01 billion at the end of February, an increase from January's USD63.57 billion. China's International Monetary Fund reserve position amounted to USD10.73 billion, an increase from USD3.76 billion a month earlier. The country held USD10.28 billion of IMF Special Drawing Rights (SDRs) at the end of last month, compared with USD10.27 billion at the end of January.

- Yang Chenglin, 64, former President of the Bank of Inner Mongolia, went on trial on corruption charges involving more than CNY600 million. He is accused of taking bribes of CNY307 million for himself, his son, and his mistress, and of conspiring with others to take CNY292 million from the bank for his personal use. His son and mistress are also on trial for accepting bribes.
- The People's Bank of China (PBOC) is preparing regulations that would allow commercial lenders to swap non-performing loans (NPLs) of companies for stakes in those firms. The new rules would reduce commercial banks' NPL ratios, and free up cash for fresh lending for investment in a new wave of infrastructure projects and factory upgrades that the government hopes will rejuvenate the economy. Chinese banks held more than CNY4 trillion of NPLs and "special mention" loans at the year-end.
- Chinese banks extended CNY726.6 billion in net new yuan loans in February, missing expectations. Economists polled by Reuters had expected new loans to fall to CNY1.2 trillion last month from January's record of CNY2.51 trillion. Some analysts believe the People's Bank of China (PBOC) has used its "window guidance" to try and slow the pace of banks' lending, due to concerns over the overheating property market and rising inflation. Credit growth was expected to pick up this month. Total social financing fell sharply to CNY780.2 billion in February from CNY3.42 trillion in January.
- China's financial technology investment in venture capital deals saw an explosive rise in 2015, according to a report by KPMG. China's VC-backed financial technology investment went from around USD600 million in 2014 to almost USD2.7 billion in 2015, accounting for 20% of the overall investment in this area worldwide. ZhongAn, an online insurance group backed by Alibaba CEO Jack Ma, led by drawing USD931 million in private equity funding last year.
- The People's Bank of China (PBOC) set the yuan's central parity rate at 6.4905 per dollar on March 11, its strongest fixing level so far this year. Given March 10's reference rate of 6.5127, the increase was also the biggest adjustment by the Chinese central bank since November 2015. The PBOC is aiming to keep the yuan's effective rate stable against a basket of currencies, so if the dollar weakens and the euro strengthens, the central bank will set the yuan exchange rate higher.

FOREIGN INVESTMENT

Royal DSM to open more plants in China

The world's largest vitamin maker, Royal DSM, will continue investing in life sciences business in China as the market for nutrition supplements expands, Chairman and CEO Feike Sijbesma said. The Dutch company's plans include launching of new manufacturing plants, opening of research and innovation centers, as well as hiring more local talent. China is now one of DSM's fastest-growing markets with sales of €937 million in 2015, up 12% from €833 million in 2014. In 2015, DSM finalized the acquisition of Aland, a Hong Kong-based vitamin C manufacturer, further strengthening its position. As China is undergoing supply-side reforms, DSM sees growth potential in the sector, Sijbesma said. The company is expanding its factory in Tongxiang, Zhejiang province, which produces gellan gum, a stabilizing and texturizing agent used in a wide variety of foods and beverages. The Chinese market for nutrition supplements, food and other products is growing at a fast pace. The annual compound growth rate is expected to exceed 10% in the next five years, according to market information research firm Zhiyan Information. Data from China Nutrition Societies showed that in 2015 the health-related products market, including proteins, vitamins, fish oil and other supplements in China exceeded CNY400 billion and the size is going to double by 2022. DSM is also developing an animal nutrition business to meet the demand for quality ingredients and additives for animal feed, as Chinese consumers demand more, better and safer sources of nutrition from meat and eggs. China is not only a market for DSM, but also a hub for manufacturing as well as innovations for the company's global operations, the China Daily reports.

China Minsheng looking for projects in Europe and the U.S.

China Minsheng Investment Corp, the country's largest private investment conglomerate, is looking for high-end manufacturing and renewable energy projects in Europe and the United

States. “We have been discussing with more than 10 investment banks about possible opportunities and we will definitely do something this year,” said Board Chairman Dong Wenbiao. “Our investment overseas will be carried out through large-scale investment funds, with each of them no smaller than USD3 billion,” he added. The company set up its first investment fund in Europe in June last year in a joint venture with Savills in London and is now aiming to set up a fund in the U.S. The majority of the seed capital in the fund was invested in Savills' Prime London Residential Development Fund II. China Minsheng previously launched an investment fund with registered capital of USD3 billion in Singapore with partners including Hana Financial Group and CP Group to invest in Asia, including developing an industrial park in Indonesia, which will be launched in May and has attracted more than 30 Chinese companies. With registered capital of CNY50 billion, China Minsheng was set up in August 2014 by the All-China Federation of Industry and Commerce (ACFIC) and by 59 private companies. Private companies contributed 67% of the country's total overseas direct investment (ODI) in the first three quarters of last year, the China Daily reports.

FDI increases 2.7% in first two months

China’s foreign direct investment (FDI) grew 2.7% from a year earlier in the first two months of the year, accelerating from December’s 5.8% contraction, Ministry of Commerce (MOFCOM) data showed. Foreign investors channeled CNY141.8 billion into China in January and February, with investment in the service sector leading the way. Capital flowing into services grew 5.7% year-on-year to reach CNY89.1 billion, or 62.8% of the total investment. Services related to high technology surged 156.6% to CNY15.9 billion. Investment from the UK, the United States and Singapore was up the most, by 120%, 111% and 54%, respectively. Japanese investors also raised their investment by 14.5%. China continues to be the world’s top investment destination with the most prospects for 2016 and 2017, according to a survey by the United Nations Conference on Trade and Development (UNCTAD). China attracted CNY781.4 billion of FDI last year, a 6.4% increase on 2014. MOFCOM Spokesman Shen Danyang said that China supported foreign participation in SOE reforms. “Considering China’s limited capacity in handling various resources, the move by some foreign companies in taking over SOEs can help in activating market vitality and facilitating SOE reforms,” he said. In the first two months, foreign investors spent CNY39.9 billion in taking over Chinese companies, with the value up 17.3% year-on-year and accounting for 28.1% of the total, up from 24.6% a year earlier. the Shanghai Daily reports.

- China welcomed the European Union’s approval of a deal between Eléctricité de France and the China General Nuclear Power Corp for the construction of the Hinkley Point nuclear power plant in the UK.

FOREIGN TRADE

China opposes export curbs placed on ZTE by the U.S.

China’s Foreign Ministry expressed anger at the U.S. Commerce Department’s plans to place export restrictions on Chinese telecoms equipment maker ZTE Corp for allegedly violating U.S. export controls on Iran. “China is opposed to the U.S. citing domestic laws to place sanctions on Chinese enterprises,” Spokesman Hong Lei said. The U.S. Commerce Department said ZTE re-exported controlled items to Iran, contrary to U.S. law. The export curbs also apply to two Chinese affiliates, ZTE Kangxun Telecommunications and Beijing 8-Star, and an Iranian company, ZTE Parsian. The U.S. has long banned the sale of U.S.-made technology products to Iran as part of its sanctions. The U.S. restrictions will require ZTE’s suppliers to apply for an export license before shipping any American-made equipment or parts to ZTE, potentially complicating the Chinese company’s ability to acquire U.S. products. As one of the world’s largest telecom equipment makers, ZTE has operations in 160 countries and regions. The sanctions would especially reduce the supply of chips from Qualcomm to ZTE. The company's other major U.S. suppliers include programmable logic devices makers Xilinx and Altera Corp. Qualcomm and other suppliers have yet to comment on the case. ZTE is the fourth-largest smartphone vendor in the United States by shipment, taking about a 7% market share, according to research firm International Data Corp (IDC). Its sales channels include major telecom carriers such as AT&T, T-Mobile and Sprint Corp. The company reported a net profit of almost CNY3.78 billion last year, a 43% jump year-on-year. The U.S. sanctions stem from the 1979 seizure of the American embassy in Tehran, and are separate from sanctions over Iran's nuclear program that were lifted in January. U.S.-made components accounted for between 10% and 15% of ZTE's total incoming materials supply last year. If the restrictions last long enough, ZTE may experience some supply chain disruption given the difficulty to find alternate suppliers for some components.

Seasonal factors mainly responsible for foreign trade drop

China's exports in February experienced their biggest drop in nearly seven years, but the figure was distorted by the Chinese New Year holiday. In February, exports fell 25.4% from the same period the previous year in U.S. dollar-denominated terms, the biggest monthly drop since May 2009, while imports fell 13.8%, leaving a trade surplus of USD32.59 billion, down from USD63.29 billion in January, according to the General Administration of Customs (GAC). In yuan terms, China's foreign trade declined 15.7% to CNY1.43 trillion in February, with exports down 20.6% from a year earlier and imports sliding 8%. In the first two months of 2016, exports to the European Union, China's largest trading partner, fell 10.7% in yuan terms from a year earlier, while exports to the U.S. slid 10.9%. Exports to member-countries of the Association of Southeast Asian Nations (ASEAN), China's third-largest trading partner, also plunged 20.4% during the same period, according to the GAC. In the first two months of the year, China's exports declined 13.1% year-on-year to CNY1.96 trillion. Together with an 11.8% decline in imports, worth CNY1.35 trillion, China's trade fell 12.6% in the January-February period. The trade surplus in the first two months was 15.9% down on the previous year at CNY615.9 billion. "China has to brave an expected weak global demand this year and try hard to stabilize its trade," the National Bureau of Statistics (NBS) said. The government did not set a foreign trade target for this year as it missed its target several years in a row. The only policy goal was to keep foreign trade "stable and improving." The absence of a growth target does indicate that China can no longer depend on exports to boost economic growth. More emphasis will be placed on trade quality and efficiency, instead of on the total trade volume and rate of growth, the Global Times and the Shanghai Daily report.

- China should accelerate the Belt and Road initiative to boost its trade as the country addresses challenges posed by an expected weak global demand this year, the National Bureau of Statistics (NBS) said. It could help reduce excessive production capacity in the country. It also said reducing tax and promoting supply-side reform may help revive domestic demand.
- China urged the European Union to obey the rules of the World Trade Organization (WTO) and stop its unfair treatment of China. Foreign Ministry Spokesman Hong Lei made the remarks following comments by EU Trade Commissioner Cecilia Malmstrom, who said that the EU must maintain solid trade defenses even if it decides to grant China market economy status (MES). China will automatically receive MES on December 11, the 15th anniversary of its accession to the WTO, but the EU insists this must be debated. So far, over 80 countries have recognized China's MES.
- China's largest missile manufacturer, the China Aerospace Science and Industry Corp, is considering founding a company dedicated to providing commercial launches for domestic and international clients. This would break the monopoly of the China Great Wall Industry Corp, which is currently China's only authorized provider of commercial launch services. China has launched 53 Long March rockets to carry 61 satellites into space for 24 foreign clients.

IPR PROTECTION

Shanghai aims to become IP hub for Asia-Pacific

Shanghai plans to deepen its reform of intellectual property rights protection to become an IP hub for the Asia-Pacific region, the municipal government announced. A guidance document includes 12 specific measures, such as strict judicial protection, strengthened administrative law enforcement, an improved dispute mediation mechanism, an advanced IP service industry and IP personnel development. In addition to promoting the comprehensive reform of regional IP protection, Shanghai aims to establish an IP trading center this year to promote IP creation and industrialization, said the Director of the Shanghai Intellectual Property Office. The city government also aims to establish a comprehensive service platform that integrates patents, trademarks and copyright public information. A quick response mechanism for IP infringement will also be set up to help create a better IP environment. From 2011 to 2015, Shanghai police investigated 9,555 cases involving IP infringements. Of those, 7,882 cases were resolved with 14,515 suspects apprehended. The focus in the fight against IP infringements will be on online trading platforms and the Disney brand.

MACRO-ECONOMY

Hebei suffers from reduction in overcapacity

The iron and steel production capacity in Hebei province will be limited to 200 million metric tons per annum by 2020, meaning that 60% of the existing iron and steel companies in the province will be shut down or merged during the next four years. The province already accounted for 83% of the 90 million tons of iron and steel production that China shed over the past three years. The province also contributed half of the phased out glassmaking capacity and a quarter of the cement-making industry. The weeding out of overcapacity has reduced severe air pollution in the province. The number of days with good air quality increased to 192 in 2015, up from 152 in 2014. However, revenues from the province's iron and steel industry plummeted by 46.9% in 2015. Xing Guohui, Mayor of the provincial capital Shijiazhuang, said that the central government should give more subsidies to the affected industries and local governments to support their efforts in further controlling the polluting industries. Air quality in the Beijing-Tianjin-Hebei region could see a “remarkable improvement” in three to five years, said Hebei Governor Zhang Qingwei, adding that the province would stop building new coal-fired plants, and further close down polluting factories this year. The province has invested more than CNY24 billion over the past two-and-a-half years to clean up the air, causing levels of PM2.5 to drop by 18.9% in the past year.

Impossible to achieve growth, reform and stability at the same time, says Moody’s

China is bound to fail in at least one of its three conflicting aims to achieve growth, institute reform and maintain stability, says Moody’s, as it engages in a war of words with Beijing over the country’s economic prospects. China’s three policy objectives formed an “impossible trinity”, the ratings agency said in a research report. Beijing could at best achieve only two of those objectives at one time, it said. The research note – authored by six analysts and led by Michael Taylor, Moody’s Managing Director and Chief Credit Officer for the Asia-Pacific – was released just hours after China reported a 20% drop in February exports – the biggest fall since 2009 when the country was hit hard by the global financial crisis. In the face of its “trilemma”, Moody’s said, China was now pursuing growth and stability over reform, as seen from its government work report delivered to the National People’s Congress (NPC). “While the combination of growth and stability might seem to minimize risks in the short run, it is likely to leave unaddressed, in the long run, the deep imbalances evident in China’s economy, thereby increasing the long-term adjustment costs,” the report said. Moody’s also angered Beijing when it changed the country’s credit rating outlook from stable to negative. The actual downgrade would not take place until after “a range of things” had happened in China, Marie Diron, Senior Vice President of the Sovereign Risk Group of Moody’s, told the South China Morning Post. These included clear evidence that reforms aimed at slowing leveraging were being put on hold and that there was a persistent fall in foreign exchange reserves.

- China’s producer price index (PPI) fell 4.9% last month compared with the same period in 2015. It dropped 5.3% in January.
- China's consumer inflation jumped to 2.3% in February, its highest in nearly two years, a positive sign of demand that helped ease fears that China could fall into a deflationary trap. Translated into month-on-month growth, the inflation index expanded 1.6%, its fastest pace since March 2008. The uplift is mainly food-driven and thanks to the traditional Spring Festival, which fell in February. Economists say sustained inflation is unlikely given weak activity and overcapacity in the economy.
- China's steel companies are expected to see better demand and price rises in March. The price of steel products increased last week. Steel companies in Hebei province will cut production for environmental reasons between April to October when the International Horticultural Exposition is held in Tangshan, a major steel-producing city in Hebei. Iron ore prices at Qingdao port in Shandong province soared 19% to USD64 a ton on March 7, a record daily rise since 2009.

- Shanghai is still China's most expensive city, according to the Economist Intelligence Unit's latest worldwide cost of living survey. It takes 11th place, up 13 places from last year in the survey comparing prices of 160 products and services in 133 cities around the world. With an index of 97, Shanghai is cheaper than New York (100) and on par with Tokyo. Singapore remains the world's most expensive city, while Hong Kong rose seven places to share the title of second-most expensive city in the world with Zurich.
- Major state-owned industrial companies reported a 4.7% rise in profits in the first two months of the year, a positive sign of a turnaround in corporate performance, according to Xiao Yaqing, Chairman of the State-owned Assets Supervision and Administration Commission (SASAC). Large state-owned firms under the regulator contribute about a 10th of the country's gross domestic product (GDP).
- Industrial output rose by 5.4% year-on-year in the first two months, the slowest since late 2008, while retail sales rose by 10.2% from a year earlier, the National Bureau of Statistics (NBS) said. Fixed-asset investment (FAI), driven in a large part by real estate development, grew 10.2% year-on-year in the first two months, compared with 8.2% in December 2015. Real estate investment accelerated for the first time since the beginning of 2015. Property sales, in terms of floor space, rose 28.2%, while in terms of value, surged 43.6%.

MERGERS & ACQUISITIONS

Gree Electric Appliances to acquire Zhuhai Yinlong New Energy

Gree Electric Appliances, a leading Chinese home appliances maker, is planning to branch into new-energy vehicles (NEVs) by acquiring local electric car producer Zhuhai Yinlong New Energy Co, which controls Nasdaq-listed U.S. battery firm Altair Nanotechnologies. It is the latest effort by China's largest air-conditioner manufacturer to diversify its business, as dwindling air-conditioner sales weigh on revenue and profitability. Headquartered in Zhuhai, Guangdong province, Gree did not disclose what stake it would take in Zhuhai Yinlong or the possible investment value. Zhuhai Yinlong was China's seventh-largest seller of electric buses in 2015, after racking up 7,000 orders and producing more than 3,100 electric vehicles. With three production bases, it has the capacity to make 33,000 electric buses and 100,000 electricity-powered SUVs yearly. "Gree generates about 95% of its revenue from selling air conditioners, but over-reliance on a single product is increasing the company's financial risks, especially as the air-conditioner industry is having bad years," Independent Researcher Liu Buchan said. In the first three quarters of 2015, Gree's revenue plunged more than 17% year-on-year to CNY81.5 billion due to overcapacity and weakening demand. Last year, sales of new-energy vehicles more than tripled to more than 331,000 units in China, including more than 247,000 pure electric cars and 83,600 plug-in hybrids, according to the China Association of Automobile Manufacturers (CAAM), the China Daily reports. China surpassed the United States in electric car sales last year. Nearly a quarter of a million purely battery-driven electric cars were sold in China, more than double U.S. sales of around 110,000 reported by America's Electric Drive Transportation Association.

- Real estate developer Oceanwide Holdings Co plans to invest CNY2.5 billion in two media and movie companies owned by Dalian Wanda Group. It would acquire a 6.61% stake in Wanda Pictures and 7.59% in Qingdao Wanda Pictures, which is expected to be publicly listed soon. Founded in 1989, Oceanwide started trading on the Shenzhen Stock Exchange in 1994 and has assets worth CNY70.8 billion. It engages in real estate, finance, energy, culture and media, and in the strategic investment businesses.

REAL ESTATE

Brokerages and developers not allowed to run financing services

The central bank will prohibit real estate brokerages and property developers from running financing services if they do not have relevant licenses, People's Bank of China Deputy Governor Pan Gongsheng said, as concerns are mounting over potential risks fueled by those institutions' leverage in the real estate market. Some brokerages and financial institutions, including Lianjia and 5i5j, have lent their clients money to allow them to pay a downpayment.

The size of such financing services in Beijing is estimated to be around CNY1.8 billion. “The downpayment could be actually lowered by 10% to 20% with those financing products, thus allowing financially unqualified buyers to enter the market and result in a price hike of more than 30% in no time,” said Huang Qifan, Mayor of Chongqing. Currently, the downpayment for first-home purchasers stood at 30% in Beijing, Shanghai, Shenzhen and Guangzhou, and 20% to 25% in other cities. “Those financing services provided to homebuyers do add fuel to the flame and we should warn against the potential risks,” said Jia Kang, former Director of the Ministry of Finance's Research Institute for Fiscal Science. Minister of Land and Resources Jiang Daming said that the government will offer more land in those cities experiencing price surges.

- COFCO Property (Group) Co plans to raise up to CNY5 billion in a private placement of shares to fund new projects and to repay debt. It will use half the money raised on new housing developments in major cities. The Shenzhen-based property developer will also spend CNY1.07 billion on a 49% stake in Beijing-based COFCO Property Investment Co, and CNY400 million on taking 100% control of COFCO Yantai Borui Real Estate Development Co, two of its subsidiaries. CNY1.03 billion will be used to repay loans and to lower its asset-liability ratio.
- The Shanghai Tower, China’s tallest skyscraper, will soon open for business. The 632-meter, 126-story tower in Lujiazui in Shanghai’s Pudong district, is second only to Dubai’s Burj Khalifa, the world’s tallest building. A high-speed elevator will take visitors to a viewing platform on the 119th floor in just 55 seconds. At its maximum speed, the lift would travel at 18 meters a second.
- The average housing inventory level among 11 third-tier cities tracked by Morgan Stanley remained at 19 months in January, unchanged from six months ago. China’s four biggest cities, which are short of home supply and are still attracting increasing investment, make up only 5% of the total real estate investment. Many major developers have also said they will remain conservative in land purchases this year. Ratings agency Standard & Poor’s expects investment levels to see moderate growth this year.

SCIENCE & TECHNOLOGY

80% of research leads to commercial products

By last year, 80% of China's scientific and technological research had resulted in commercial products in the private sector, Wan Gang, Minister of Science and Technology said.

Transactions in China's technology market reached CNY983.5 billion last year. The Minister encouraged more cooperation between enterprises and universities. Universities should be more open to supporting enterprises, providing research and development (R&D) services, testing facilities, experiments, and consultancy services to promote the commercialization of technological achievements, Wan said. Last year, 55.3% of economic growth came from scientific and technological progress. For example, the first domestically-produced large passenger aircraft, the C919, rolled off the assembly line, followed by the successful commercial launch of the ARJ-21 regional jet. Also last year, more than 370,000 new-energy automobiles were sold in China, taking the number of green vehicles in the country to 497,000, the highest in the world.

- China has started research to develop a solar power station in a 35,000 km high orbit to beam potentially huge amounts of energy back to earth. The research is carried out at the Qian Xuesen laboratory of the China Academy of Space Technology in Beijing.
- Professor Pan Jianwei said the United States' Defense Advanced Research Projects Agency (DARPA) was a good model of how to pursue innovative research that could have applications for the military. Pan is Executive Vice President of the University of Science and Technology of China. He said DARPA encouraged genuinely innovative research and China should follow its lead. China spent more than CNY1.4 trillion on research and development (R&D) last year.

STOCK MARKETS

CSRC still studying registration-based system

China's securities regulator is still studying the reform of the registration-based system for initial public offerings (IPOs), Li Chao, Vice Chairman of the China Securities Regulatory Commission (CSRC), told reporters. Li declined to offer further details, only stressing that his comments did not imply that the reform had been delayed. The reform would change the approval-based system into a registration-based one for new share sales. The regulator has been placing greater emphasis on maintaining market stability. Premier Li Keqiang did not mention the new share sale reform in his Government Work Report delivered on March 5 to Deputies of the National People's Congress (NPC), sparking discussions that the government may delay the process. Li Daokui, Economics Professor at Tsinghua University, said that the absence of the registration-based reform in the report suggested a cautious attitude by the Chinese authorities on pushing financial market reform. "China must proceed with financial reforms, but only in a prudent manner. Reforms are not supposed to be about meeting deadlines," Li said, adding that the registration-based IPO system should be launched when the conditions are right, and this first requires improvements in regulatory oversight. The NPC has authorized the government to launch the IPO reform after March 1 and before completing amendments to the Securities Law. The reform must be launched within two years. Liu Shiyu, Chairman of the CSRC, reassured investors that China will continue to proceed with reforms, but he added that introducing the registration-based initial public offering (IPO) system would be a lengthy process and would be launched only when market conditions and the legal environment "are appropriate". As a result of the reform a huge supply of new shares could be created.

- The China General Nuclear Power Group (CGN), China's largest nuclear operator, will list its assets of applied nuclear science and technology on the A-share market. CGN Nuclear Technology Application Co (CGNAT) will become the major shareholder of listed China Dalian International Cooperation (Group) after the latter has spent CNY4.2 billion to acquire shares of seven companies held by CGNAT. CGN already has three listed companies, all of which made their debut in Hong Kong, including CGN Power Co, CGN New Energy Holdings Co and CGN Mining Co.
- Initial public offerings (IPOs) by technology companies in China are likely to recover this year due to the upcoming launch of a new board for strategic emerging industries, PricewaterhouseCoopers (PwC) said. The Shanghai Stock Exchange is expected to launch a strategic emerging industry board this year.

TRAVEL

CRRC receives order for railcars from Chicago

China Railway Rolling Stock Corp (CRRC) subsidiary CSR Sifang America has been awarded a USD1.3 billion order to supply up to 846 railcars to the Chicago Transit Authority (CTA). The new cars, the 7000-series, will look similar to those that have been in operation since the 1980s, the 2600-series, and will be locally assembled at a new purpose-built plant. Brian Steele, CTA Spokesman, said the contract is expected to create around 169 new jobs, including for mechanical engineers and electricians. CSR Sifang America is a joint venture between Qingdao-based CRRC Qingdao Sifang Co and Chicago-based CSR America. Another CRRC subsidiary is also currently building railway vehicles in Springfield, Massachusetts, after sealing a deal with the local transport authorities to supply 284 railcars for the Boston transit system. The prototype railcars are scheduled for delivery to the CTA in 2019, and go into service the following year. The base order of more than 400 railcars will arrive by 2024, with options for a further 446 vehicles thereafter. Steele said the purchase, which will replace about half of its railcars, will give the city one of the youngest rail fleets in the United States. Wang Mengshu, Deputy Chief Engineer of China Railway Tunnel Group, hailed the new deal as “another major breakthrough for the Chinese railway industry in the North American market”, the China Daily reports.

- China’s Anbang Insurance Group has agreed to acquire Strategic Hotels & Resorts for around USD6.5 billion, as it expands its U.S. hotel portfolio. Strategic Hotels’ properties include the Four Seasons Washington, D.C. on Pennsylvania Avenue, the Westin St Francis on Union Square in San Francisco, and the beach-front Ritz-Carlton Laguna Niguel in Orange County, California. Anbang purchased New York’s Waldorf Astoria from Hilton Worldwide Holdings in 2014 for USD1.95 billion.

ONE-LINE NEWS

- The world’s first Westinghouse AP1000 nuclear reactor will go into operation in June next year, more than three years behind the original schedule, according to Sun Qin, Chairman of the China National Nuclear Corp (CNNC). The reactor has been plagued by delays brought about by design flaws and problems with key components.
- WeChat, which connects more than half a billion individual users via its mobile messaging service (MMS), is launching a separate application for enterprise clients. The app, named Qiye Weixin or Enterprise WeChat in English, is under beta testing and is expected to be rolled out in the next couple of months. The service is designed for work-related communication.
- An Australian court has jailed Xiao Hui, also known as Steven Xiao, for eight years over insider trading. Xiao was Managing Director of Hanlong when he illegally traded in shares of Sundance Resources and Bannerman Resources. The overall value of the trades was approximately AUD2.3 million, with a profit of AUD1.7 million. Hanlong’s CEO Liu Han was executed in China last year for leading a mafia-style group, murder and other crimes.
- The Chinese authorities are speeding up the investigation into Microsoft over allegations of monopoly, seven months after raiding Microsoft offices in Beijing, Liaoning, Hubei, and Fujian.
- Former Vice Minister of Health Huang Jiefu said that China’s health insurance scheme could soon be extended to cover organ transplants, starting with kidney transplants. China would become the country carrying out the most organ transplants worldwide in the coming few years, but the cost of surgery remained high at about CNY200,000 to CNY600,000.
- Five expensive trademarked drugs from overseas, used to treat diseases including cancer, could soon be covered by public insurance in China. The development follows a public outcry over a case in which leukemia patients were unable to afford potentially life-saving medicine.

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