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

NEWSLETTER | 29 MARCH 2016

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FCCC/EUCBA ACTIVITIES

Briefing: China's New Normal: What are the challenges and opportunities for businesses? – 18 April 2016 – Brussels

The Flanders-China Chamber of Commerce and The Conference Board are organizing a briefing focused on 'China’s New Normal: What are the challenges and opportunities for businesses?'. This briefing will take place on 18 April at 16h00 at The Conference Board, 178 Chaussée de la Hulpe, 1000 Brussels.

According to Chinese President Xi Jinping, 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

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The fee is according to each different event.

2. SPONSORING AT THE FCCC WEBSITE

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

Number of recipients every week: 1200 executives dealing with China

GOLDEN SPONSOR (12 months): 1.950 €
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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

ACTIVITIES FROM EUCBA MEMBERS

EU-China Economic Cooperation (EUCEC) Forum 2016 – 28 April 2016 – Hannover

In 2015, the Chinese economy has experienced its lowest growth rate since the last 25 years, going along with strong devaluation of the renminbi and falling Chinese stocks. Although numerous sources have therefore expressed their concerns about the sustainability of the Chinese growth model, it is necessary to consider that the planned 6.5% minimum growth rate announced by the Chinese government for the next five years is still high compared to most industrialized countries. Furthermore, the absolute growth of China´s GDP from USD47 trillion in the first decade of the 21st century to USD50 trillion until 2015 does not fail to impress.

The term "New Normal" is used to describe the transformation of the Chinese economy from a rather quantity-focused to a more quality-orientated strategy, which will consequently lead to a soft landing in terms of GDP growth rates. As labour costs in China rise to an all-time high an increasing emphasis is put on household consumption and the service sector, moving away from an export-led growth model. The implementation of new structural reforms aims at reducing income inequality between Chinese households, encouraging consumption and therefore strengthening labour market flexibility. This strategy should ensure the successful transition for China to a consumption-based growth model and therefore to reach the economic goals stated in the new five-year plan.

For the German economy, the transformation process of Chinese economy includes risks as well as new opportunities. With China being Germany´s fourth biggest destination for exports worldwide, its market changes lead to immediate effects for the German GDP. According to the German central bank, an economic slowdown in China implies a serious risk for growing losses for German companies. Nevertheless, China´s increasing focus on high-technology and environmental solutions will likely benefit exports of specialized German companies in the future.

Program *(tentative)*

14:00	Moderation by Thomas Scheler, General Manager, DCW GmbH – A Subsidiary of German-Chinese Business Association (DCW)
14:10	Introduction: Latest Trends in EU-China Economic Relations by Silke Besser, General Manager, German-Chinese Business Association (DCW)
14:30	M&A China and Germany – Latest Trends and Ways to Success by Frank-Christian Raffel, Co-founder and Managing Partner, MelchersRaffel Ltd.
15:00	Protecting and Enforcing Intellectual Property Rights in China by Erik Schäfer, Partner, COHAUSZ & FLORACK Patent Attorneys and Attorneys-at-law
15:30	"One Road, One Belt": Linking Europe and Hong Kong by Michael Ries, Marketing Manager, Hong Kong Trade Development Council (HKTDC)
16:00	Intercultural Communication: Business Etiquette in different Regions of China by Wu You, General Manager, WUYOU GmbH
16:30	Q&A with all Speakers
17:00	Get Together at DCW International Joint Booth (Hall 3, H02)

Participation is free of charge for visitors of HANNOVER MESSE 2016. Registration is required. Please register via email: registration@dcw-gmbh.de

Visit the International Joint Booth „Doing Business with China“ in Hall 3, H02! For more information about other activities at HANNOVER MESSE 2016 please visit: www.dcw-ev.de/hannovermesse

PAST EVENTS

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

The Flanders-China Chamber of Commerce organized an interesting seminar focused on: '*How to Succeed in the Chinese Market'*. This event took place on 16 March 2016 at the Club of Flanders in Ghent.

The aim of the event was to share, discuss and exchange knowledge and experiences between companies doing business with or investing in China. Following an introduction by Mrs Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, Mr Robert De Regge, CEO-ad interim and Chairman of the Board of Directors, Vitalo, and Mr Dirk Laeremans, General Manager, Orientas presented "Case studies of doing business and investing in China". The event was concluded by an exchange of views and a networking drink.

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.

AUTOMOTIVE

Car-audio producer to partner with Chinese automakers

New York-listed Harman International Industries, one of the world's largest car-audio makers, has launched a global product development center in Suzhou, Jiangsu province, eyeing expanding demand in China. It will work closely with fast-growing automakers, including BAIC Motor, BYD, Changan Automobile Group, Chery Automobile, Zhejiang Geely Holding Group, Great Wall Motor and SAIC-GM, said Dinesh Paliwal, Harman's Chairman, President and CEO. In the past, Harman offered car-audio and infotainment systems exclusively to high-end, luxury automobile brands, but now it is offering products to a wider range of vehicles. China has become one of Harman's fastest-growing markets, which accounted for approximately USD700 million in revenue, with an annualized growth rate of approximately 53% over the past six years. Harman sees increasing demand for affordable car-audio and connectivity systems from China's younger consumers who attach great importance to customer experience and quality, the China Daily reports.

- The number of cars registered in Shanghai rose 13% last year to almost 2.5 million, according to a report by the Shanghai Urban-Rural Construction and Transportation Development Research Institute. The number of cars that are restricted to suburban districts under license plate rules increased by 23% to 830,000 in the year, while those with non-local plates rose 24% to 1.2 million. The increase in the total number of cars was the fastest in the past few years. Over the same period, the city’s road network grew by 388 kilometers or 2.2%.
- General Motors expects China’s auto market to grow 3% to 5% annually through 2020, with 80% of the growth to come from sport-utility vehicles (SUVs), multi-purpose vehicles (MPVs) and luxury segments. GM revealed that 60 new and refreshed car models will be released in the country over the next five years, starting with 13 this year. Up to 40% will be SUVs and MPVs. There will also be 10 product launches for Cadillac, GM’s sole luxury brand.
- Great Wall Motor, China’s largest sport-utility vehicle (SUV) maker, dropped plans to issue shares worth CNY12 billion after its stock fell below the minimum offer price. The company said it would now use its own funds to expand production and develop new energy vehicles. The company reported 2015 net profit increased 0.22% to CNY8 billion.

FINANCE

Online financing gaining ground, report at Boao Forum says

Online financing is outperforming financing services offered by bricks-and-mortar channels, according to a report jointly released by Boao Review, Nielsen Holdings and Tencent Holdings at the annual Boao Forum for Asia. It used three measures – accessibility, availability and profitability – to evaluate the performance of online financing and came up with a China Financial Internalization Index that now stands at 108.5. When the index stays at 100 the impact of online financing is the same as offline. When the reading is above 100, it shows that online financing is bringing more positive effects than that of offline to loan seekers. “For years, small-business financing has been an impediment to China's market economy,” said Kevin Wang, Director of Finance Research of Nielsen China. “Internet financing can help small businesses and startups that do not have access to bank lending and traditional financing resources in a good way. So those emerging online finance platforms can strengthen China's financial industry and promote its small and medium-sized businesses.” The report is based on a poll of 4,267 people and 2,211 companies. It found that nearly 40% of those surveyed said they experienced the rejection of a loan application by a bank and nearly 42% said they successfully received a loan from an online financing platform, the China Daily reports.

Rising debt at state firms among biggest challenges facing China’s economy

Mounting debt and slow reform at state-owned enterprises (SOEs) are the biggest challenges to China’s economic outlook. “The biggest risk is the huge buildup of credit relative to GDP, though it is not an across-the-board problem,” Nicholas Lardy, Senior Fellow at the Peterson

Institute for International Economics, told the South China Morning Post on the sidelines of the Boao Forum. “The buildup of credit is primarily in state-owned enterprises,” he said. “If you look at private companies in the industrial sector, their leverage ratio is actually going down. The leverage ratio for state firms is skyrocketing. Some of them are not borrowing money to cover investment, but to cover their operating costs.” That is one of the concerns economists noted in the wake of the lending spree in January when new bank credit hit an all-time high of CNY2.51 trillion. “I don’t think there would be a danger of a medium-term banking crisis, but if the debts just keep piling up, eventually, there will be a banking crisis. You cannot slow down the debt if there are no big efforts to deal with state-owned companies,” Lardy said. Li Yang, former Deputy Director of the Chinese Academy of Social Sciences (CASS), said at the forum that a new financial oversight regime may be finalized in months. It is widely expected that the three watchdogs for securities, banks, and insurance will be merged to guard against regulatory loopholes.

- China's cross-border capital outflow has slowed significantly since the start of this year, Wang Yungui, Director of the Policy and Regulation Department at the State Administration of Foreign Exchange (SAFE) said. China’s foreign exchange reserves declined by USD28.6 billion in February, much less than in January. Total foreign exchange reserves at the end of February stood at USD3.2 trillion. “In March, capital outflows further declined from the February level,” Wang added.
- The Asian Development Bank (ADB) is aiming to increase its sovereign lending to China to about USD2 billion a year from 2016 to 2020, up from the annual average of USD1.5 billion in the past five years. The actual lending volume will depend on approval by the board of the bank of actual projects and programs. In 2015, the bank's sovereign lending to China was USD1.7 billion, accounting for 12% of its sovereign lending to all member countries.
- Chinese Vice Finance Minister Zhu Guangyao denied that there was an agreement between China and the United States over the recent weakening of the U.S. dollar. He commented after the U.S. central bank decided to keep the interest rates unchanged over a longer term, fueling speculation that there was a tacit understanding to relieve pressure on currencies. The U.S. dollar fell to a five-month low, while the yuan has strengthened to 6.49 per U.S. dollar in recent weeks.
- Rating agency Fitch said that major Chinese banks are likely to show subdued earnings growth for 2015 amid margin compression and asset depreciation. The net profit of China’s banking sector grew only 2.4% in 2015, a drop from the 9.6% year-on-year growth recorded in 2014, data from the China Banking Regulatory Commission (CBRC) showed. Financial statements of major banks will be released this week.
- China Life Insurance Co posted sharply slower profit growth last year as reduced interest rates affected balance sheets. The company earned CNY34.7 billion in net profit attributable to shareholders, up 7.7% year-on-year, down from a 30.1% net profit increase recorded in 2014. A rise in investment returns was the major driver for profit growth in 2015, but this was offset by higher claims reserves the company had to set aside. China Life’s revenue rose 14.7% year-on-year to CNY511.4 billion in 2015, with premiums up 9.8% to CNY362.3 billion.
- The State Administration of Foreign Exchange (SAFE) is considering the imposition of a Tobin tax on short-term capital flows, as the exchange rate of the yuan dropped on several consecutive days last week.
- Chinese Premier Li Keqiang said that China will never devalue its currency to stimulate the country's exports. Currency devaluation does little to encourage enterprises to engage in competition and innovation, and does not help the country move into high-end manufacturing, the Premier said during his keynote speech at the opening ceremony of the Boao Forum for Asia (BFA). “The yuan will be kept at reasonable and equilibrium levels,” he reiterated.
- Jin Liqun, President of the Asian Infrastructure Investment Bank (AIIB), said that he was “patient in waiting” for the United States to decide on whether to join the bank. “Even if you decide not to join, that does not mean we cannot work together,” Jin said. He added that more than 30 countries were waiting to join and that “the new members problem will be solved by the end of this year.” Hong Kong may also be allowed to become a member, he said.

FOREIGN INVESTMENT

Still no consensus over the negative list in BIT negotiations between China and U.S.

China hopes to achieve substantial results from negotiations with the U.S. over a Bilateral Investment Treaty (BIT) before August, but it is still hard for both sides to reach a consensus on the negative list issue, former Minister of Commerce Chen Deming said on the sidelines of the Boao Forum for Asia (BFA). He is concerned that an agreement will not be reached before the U.S. presidential elections enter the final phase and new uncertainties will surface. China and the U.S. started the BIT negotiations in 2008, and there have been 24 rounds of talks. In 2013, the two sides reached a major breakthrough when they began discussing each other's negative list, which identifies all the areas that are not open to investors. Premier Li Keqiang said that the two sides are making efforts to speed up the BIT talks and that China will gradually increase market access for U.S. investors, adding that the process should be mutual. China became the largest trading partner of the U.S. in 2015 with bilateral trade reaching USD560 billion, so a treaty between the two countries would have a major impact on the world economy, according to Chen Deming. “From the Chinese perspective, the country's investors will gain a higher degree of confidence as the BIT enhances their ability to control things,” Reuben Jeffery III, former U.S. Under Secretary of State for Economic, Business and Agricultural Affairs, said. Chen added that a major problem for Chinese investments in the U.S. is how the U.S. views China's state-owned enterprises (SOEs). In several cases, the U.S. government has barred Chinese companies from entering its market for allegedly having a Chinese government background. Chen also noted that national security has been excluded from the talks, the Global Times reports.

Thyssenkrupp Elevator opens headquarters in Shanghai

Thyssenkrupp Elevator has opened its China headquarters in Shanghai. The 15,000-square-meter, 40-meter-high block was built in the Songjiang district at a cost of CNY120 million. It showcases the company's latest elevators, escalators, moving walkways and TWIN elevators. “China is by far our most important market in Asia,” said Heinrich Hiesinger, Chairman of the Executive Board of Thyssenkrupp. The elevator subsidiary currently employs almost 10,000 people at 68 branches and 132 offices in China. In 2011, the company launched its Sanfte brand of elevators, aimed at the local market. The company began building its new Zhongshan elevator plant and test tower in Guangdong province in 2015 with a total investment of CNY450 million. Upon completion, the plant will cover an area of nearly 100,000 square meters and include a world-class 248-meter test tower, which will support the development of high-end elevators for the global and local markets. The company’s TWIN elevator, operating two cars independently in the same shaft, can take passengers to two different floors at the same time, thus reducing waiting time, the China Daily reports.

- All enterprises registered in China, domestic and foreign, will get fair treatment, Premier Li Keqiang said at a seminar with more than 120 foreign participants at the annual China Development Forum. “All companies registered in China – no matter if they are invested with local or foreign capital, no matter if they are of sole proprietorship or are joint ventures – will get equal treatment and an environment of fair competition,” the Premier said.
- Shanghai’s foreign direct investment (FDI) edged up 0.4% from a year earlier to USD1.32 billion in February, decelerating from an increase of 3.8% a month earlier. Contracted foreign investment in the month expanded 11% to USD5.3 billion, indicating more funds are in the pipeline. Among the contracted investment, the service sector attracted USD5.14 billion, up 28.9% on an annual basis. There were only three foreign investment projects in the manufacturing sector in February, but their combined value was USD170 million, jumping 44.2% year-on-year.

FOREIGN TRADE

Chinese companies to build infrastructure projects in Scotland

Scotland signed a memorandum of understanding (MOU) with China’s SinoFortone Group and the China Railway No 3 Engineering Group for infrastructure projects with a potential value of GBP10 billion. The agreement will pave the way for significant investment in fields such as clean energy, transport and affordable housing. At the signing ceremony, Scottish First Minister Nicola Sturgeon was joined at Bute House by Peter Zhang, Managing Director of SinoFortone Group, Sir Richard Heygate, Senior Adviser for China Railway No 3 Engineering Group, and Chinese Consul General Pan Xinchun.

- China and Nepal are set to jointly study the feasibility of a free trade agreement (FTA). Nepal could become a frontier market for China to enter South Asia and may encourage other countries in the region to consider FTAs with China. The FTA with Nepal would require interconnection between the two countries' infrastructures, building of cross-border economic zones and agreements on transit trade. China also agreed to consider building a railway to Nepal.
- China is concerned about the tougher stance by the European Commission toward cheap steel imports from China, a Ministry of Commerce (MOFCOM) official said. The Commission said it may speed up procedures by two months, bringing the European Union's response time more in line with other countries. Such policies will hinder exporters in exercising their rights of defense.
- China has taken a further step to fight the legal ivory trade by banning imports of ivory and carved-ivory items acquired before July 1, 1975, when the Convention on International Trade in Endangered Species of Wild Fauna and Flora took effect. The ban, which took effect on March 20, will last until December 31, 2019, the State Forestry Administration, announced.
- Chongqing, and the coastal city of Zhoushan, in Zhejiang province, are favorites to be chosen as new free trade zones (FTZs) in the Yangtze River Economic Belt. China has four FTZs, all in coastal regions.

HEALTH

No leniency for those involved in vaccine scandal

Premier Li Keqiang said there will be no leniency for anyone involved in the vaccine scandal that has shocked the nation. Li pledged to punish officials who are proven to have been derelict in their duty in the distribution of ineffective vaccines. Police in Shandong province said improperly stored or expired vaccines, worth more than CNY570 million, were sold in more than 20 provincial-level areas since 2011. Police have detained 37 suspects implicated in the scandal.

- China has reported five yellow fever cases – all from people who were not vaccinated before leaving for areas with epidemics. The infected Chinese workers were returning from Angola and were detected in Beijing and Shanghai, where they had connecting flights to their hometowns. Lu Hongzhou, Director of the Shanghai Public Health Clinical Center, urged stricter border quarantines and checks to help cut cross-border transmissions.

IPR PROTECTION

Suning-Wuliangye agreement will reduce counterfeit goods

Zhang Jindong, Chairman and Founder of Suning Holdings Group, said a new collaboration agreement with liquor brand Wuliangye Group will help ensure fewer counterfeit goods enter the marketplace, as well as cut transport costs for both firms. Under the agreement, China's largest electronic home appliance-turned-internet retailer will be able to collect products directly from Wuliangye's factories and warehouses, and transport them to its own distribution centers, thus reducing the need for any middlemen, said Zhang. Shipping goods directly from Wuliangye to its customers in this way, especially those in remote areas of the country, will reduce the risk of counterfeits, as well as cut costs, he said. Wuliangye will also be given better representation in Suning's more than 2,000 stores, and a new Wuliangye store has already been opened on suning.com, which offers customers a range of tailor-made Wuliangye products developed exclusively for the retailer. Zhang said Suning will also allow the liquor producer access to its huge big data resources to allow it to better understand the shopping habits of millions of Chinese consumers, which will help improve and adjust its portfolio, and improve the efficiency of its supply chain.

- As intellectual property filings fell flat worldwide, China maintained robust growth in international applications for patents and trademarks, according to the World Intellectual Property Organization's latest report. Nearly 30,000 international patent applications filed through the Patent Cooperation Treaty (PCT) came from China in 2015, a 16.8% rise from a year earlier and allowing the country to hold onto its No 3 world ranking for the third consecutive year, after the United States and Japan. Overall PCT filings worldwide increased 1.7% to 218,000 last year.
- China is emerging as an originator of patents in 3D printing, nanotechnology and robotics. Since 2015, Chinese applicants have contributed more than a quarter of first filings worldwide in 3D printing and robotics – the highest among all countries – and close to 15% of nanotechnology patent fillings worldwide, ranking third.

MACRO-ECONOMY

Plans made for industrial boom in the Northeast

Northeast China (the provinces of Liaoning, Jilin and Heilongjiang) will undergo an industrial boom to compete with eastern provinces during the 13th Five Year Plan (2016-20), senior officials said in Hainan province. The boom will be led by developing the "Made in China 2025" pilot program and an upgraded service sector. The region was the country's top industrial hub in the 1970s before declining rapidly in the following decade, when it encountered difficulties in adapting to the structural reforms of the new market economy. Jiang Youwei, Vice Governor of Jilin, said seeking new market growth points from the fast-growing service sector, including logistics and e-commerce businesses, can help the three northeastern provinces to optimize their resources to improve exports. This will also create more jobs and attract foreign investment. Jilin is preparing to launch international freight train and air cargo services from Changchun, the provincial capital, to Ulan Bator, the capital of Mongolia, and major Russian cities in the next three years. Pan Liguo, Mayor of the Liaoning provincial capital Shenyang, said the province will give priority to developing aviation, railway and intelligent equipment in the next five years. It will also encourage innovation, talent cultivation and transformation of traditional industries. The proportion of state-owned enterprises (SOEs) is higher in the northeast than in most other provinces.

Chinese CEOs less confident in PwC survey

Chinese CEOs are less confident about the revenue outlook over the next 12 months as tough market competition, speed of technology changes and shifts in consumer behaviors pose challenges to corporate earnings, PricewaterhouseCoopers (PwC) said. The China report of PwC's Global CEO survey found 25% of the 145 respondents expressed confidence in their company's revenue growth over the next 12 months – 11 percentage points lower than last year. 90% said new entrants to the market, especially from the internet sectors, posed a challenge that could affect their organizations' growth prospects. Fast changes in technology and consumer behavior were the other two big challenges. The China survey result was slightly lower than the global survey that found 27% of the 1,400 CEOs expressed confidence over earnings. Over a longer term, 34% of Chinese business leaders said they were confident about the growth prospects over the next three years, believing that the major economic transformation China was undergoing would bring sustainable growth. The drop in confidence of chief executives is the latest sign that Chinese businesses are preparing for a tough time this year. Fears are growing about more job cuts and bankruptcies as companies fall victim to a sluggish global market and a lackluster domestic economy.

- Companies in Shanghai may save CNY13.5 billion in operational costs this year after being allowed to pay less to the social security fund for their employees. Shanghai has decided to cut the proportion that companies pay to the social security fund by 2.5 percentage points to ease their operational costs as part of supply-side reforms. Companies need to pay the equivalent of 20% of their employees' income to a pension fund account, down from 21%; and 10% to a medicare fund, down from 11%. The rate of payment to the unemployment fund was reduced to 1% from 1.5%.

- The strongest Chinese brands are worth USD525.6 billion after their combined value rose 13% in the past year, with Tencent being the country's most valuable brand whose value surged 24% to USD82.1 billion. Technology companies contributed a combined 27% of the total value of the top-100 brands, up from 16% two years ago, according to market research company Millward Brown. It was the first time that privately-held companies' combined brand value surpassed that of state-owned companies, evidence of China embracing a market economy.
- The Development of Emerging Economies Annual Report 2016, released at the annual Boao Forum for Asia in Hainan province, said that the economic growth of 11 major emerging economies (E11) slowed in 2015, but less than developed economies. The 11 economies, which are also members of the G20, are Argentina, Brazil, China, India, Indonesia, South Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey. In 2015, the average growth rate of both the G7 and the EU was 1.9%, far below the E11's 4.5%.
- China's ongoing transition to "new normal" with slower but better growth means new investment opportunities from e-commerce to high-end manufacturing, according to participants to the Boao Forum for Asia. "Aggravated overcapacity would not be an issue if investment was channeled to sectors with capacity shortages," said Justin Lin, a former World Bank Chief Economist. China is implementing supply-side structural reforms, with a focus on reducing overcapacity, destocking, deleveraging, reducing costs and shoring up weak growth areas. "Investing in industrial upgrading and technological innovation would be an entry route for businesses seeking opportunities in China," he said.
- Hong Kong signed an agreement covering 92 areas of cooperation with Guangdong, ranging from the "One Belt, One Road" initiative, and innovation and technology, to financial and professional services and environmental protection. The three free-trade zones in Guangdong province – Qianhai, Nansha and Hengqin – are expected to play a greater role in cooperation between the southern province and Hong Kong in the coming years.
- The sheer scale of the Chinese market gives the country an edge to develop smart manufacturing, David Cruickshank, Chairman of Deloitte Touche Tohmatsu said. The Chinese government is pressing ahead with its "Made in China 2025" initiative to encourage companies to apply automation to build more intelligent manufacturing solutions that rely less on labor. It also encourages customization of goods, instead of focusing on mass production. China's output of smart manufacturing was about CNY1 trillion in 2015 and is expected to exceed CNY3 trillion by 2020, with an average annual growth of 25%.
- China's state-owned enterprises (SOEs) saw profits slump 14.2% year-on-year in January and February to CNY222.6 billion. The SOEs administered by local governments were the worst hit, with their profits plunging 40.9% from a year earlier. Centrally-administered SOEs saw profits slip 8.2% year-on-year. The total business revenue of the SOEs dropped 5.8% year-on-year to CNY6.2 trillion in the first two months. At the end of February, the combined debts of the SOEs swelled by 17.9% to CNY79.7 trillion, while their total assets expanded CNY15.6 to CNY120.3 trillion.

MERGERS & ACQUISITIONS

Dayang Trands to take over courier company YTO

Chinese clothing maker Dalian Dayang Trands Co has agreed to buy Alibaba-backed courier company YTO Express for CNY17.5 billion through an asset swap and share issue, resulting in a backdoor listing on the Shanghai bourse for the courier company. The asset swap will involve Dayang Trands transferring its assets to YTO Express' shareholders. As a result of the transaction, the shareholders will ultimately own Dayang Trands. China's mostly privately held express delivery firms are eying mergers and listings to help cope with cut-throat competition and growing investment demands amid the country's e-commerce boom, led by Alibaba Group. The express delivery sector grew around 50% each year between 2010 and 2014, and handled 14 billion parcels last year, data from the State Post Bureau showed. In May last year, Alibaba Group and Yunfeng Capital, a fund backed by Alibaba's Founder Jack Ma, announced a strategic investment in YTO Express. In December, Chinese delivery firm Shentong (STO) Express closed a CNY16.9 billion reverse takeover deal with a Shenzhen-traded valve maker, a fast track way of becoming the first major express parcel service to be publicly listed, the Shanghai Daily reports.

- Marriott won over Starwood with a sweetened bid worth over USD14.4 billion just days after Anbang appeared to win the contest. The buyout, which may still be contested by Anbang, would create the world's biggest hotel company. Marriott has more than 4,400 properties in 87 countries and regions, under brands such as Ritz-Carlton, Residence Inn and Marriott. Starwood has nearly 1,300 properties in about 100 countries. Anbang, or any other suitor, has until April 8 to top Marriott's bid.
- China's Sparkle Roll Group is in talks to acquire Bang & Olufsen, the Danish maker of high-end hi-fi systems, but several issues remain to be resolved. The price needs to be "reasonable" and reflect "the significant uncertainty and the investments needed to ensure further development and growth", the company said, without disclosing pricing or payment details. In 2012, Bang & Olufsen started a partnership with Sparkle Roll to boost sales in China. The company also announced it would outsource the production of televisions to LG Electronics.
- The value of M&A deals involving China reached a record high of USD189.7 billion so far this year – a 31.5% growth from the same period of last year, according to Thomson Reuters. Outbound acquisitions by Chinese companies reached an all-time high, with transactions worth USD97.8 billion, up 237.8% year-on-year. In the U.S., China's outbound M&As reached USD38.6 billion, at least four times that in the full year of 2015. Domestic M&As in China fell 8% in deal value to USD84.7 billion.
- Shanghai-listed ENN Ecological Holdings, a subsidiary of the ENN Group, has agreed to buy a 11.7% stake in Australian oil and gas producer Santos for USD750 million. ENN Group will become Santos' largest single shareholder. The stake was purchased from the China-based private equity group Hony Capital. "This introduction to the upstream oil and gas sector takes us a step forward in our aim to generate value across the entire natural gas value chain," ENN Group Chairman Wang Yusuo said.

REAL ESTATE

Higher down payments for some buyers in Shanghai

According to new rules, Shanghai families with one property will have to pay a minimum 50% down payment for a second home, with the down payment raised to 70% if the house is either above 140 square meters or priced above CNY4.5 million located within the inner ring. The home-buying barrier is even higher for families with no permanent residency, because they are required to pay tax for at least five years in a row before buying a property in the city. The new policy won't impact first-home buyers and long-time non-local residents.

- Fosun International is set to close the acquisition of the Thomas More Square complex in London for around GBP300 million. The majority of its tenants since 2014 have been Rupert Murdoch's News Corp businesses. Once finalized, the deal will become Fosun's biggest real estate transaction in Europe. Fosun had already bought London's Lloyds Chambers in 2013 and Milan's historic Palazzo Broggi in 2015.
- Chinese authorities are to crack down on the widespread use of foreign names for buildings and residential compounds. Li Liguo, Minister of Civil Affairs, said the use of foreign names was undermining traditional Chinese culture. Examples of foreign names include Palm Springs and Manhattan Garden. The Ministry introduced a set of guidelines forbidding the use of westernized names for residential areas or buildings in China in 1996, but the rules have not been properly enforced.

RETAIL

Chinese brands gaining ground abroad

Chinese brands, especially those from the technology sector, continue to earn an increasing proportion of their revenue from overseas, according to the newly released 2016 BrandZ Top 100 Most Valuable Chinese Brands list. The top three brands with the greatest proportion of revenue from overseas business include Lenovo Group, with 68% of its revenue from international business, followed by Huawei Technologies, a newcomer to the ranking with 62%, and ZTE Corp with half of its revenue from business overseas. The expansion of international business is especially important as the growth of the domestic economy slows and Chinese companies attempt to raise awareness of Chinese brands. They are increasingly gaining more revenue and market share not only in emerging markets but also from developed markets. According to the survey, 15 of the top 20 Chinese brands in terms of overseas revenue come mainly from three categories, including six from home appliances, five from airlines and four from technology. Half of the top 20 brands are market-driven and half are state-owned enterprises (SOEs), mostly in the oil, gas and banking sectors, the China Daily reports.

Many opportunities in smart home appliances market

From mobile app controlled washing machines, to refrigerators with touch screens and household robots, China's smart home appliances will see steady growth, analysts say. Growth opportunities in the industry will be driven by demand from tech-savvy Chinese consumers who embrace smart home technology to a greater extent than their global counterparts, according to Germany-based market researcher GfK. In its survey, more than 75% of people interviewed in China said that smart home technology will impact their lives in the next few years, compared to the global average of just over 50%. "This makes China one of the best informed markets on smart home technology, giving retailers and suppliers a strong start," said GfK in a report based on data and interviews from 1,000 respondents in seven countries. The survey results put smart home technology on par with mobile payments and wearable tech as trends that have played a key role in pushing forward innovative technology in China. China's home appliance sales grew 2% to CNY1.4 billion in 2015. GfK analysts predict that the growth rate will double to 4% this year as Chinese consumers become more receptive to innovative technology.

New e-commerce tax to have impact on prices

New e-commerce tax policies may lead to cheaper imported cosmetics but higher costs of food and baby products for Chinese consumers. Under the new tax policy, the government will remove the parcel tax, the only tax currently levied on imported items sold online. Instead, it will levy an import value-added tax (VAT) and consumption duties but with a 30% discount, as long as a purchase doesn't exceed CNY2,000 and the annual gross transactions by an individual consumer are below CNY20,000. For deals above the cap, consumers will get no tax discounts and will also need to pay customs tariffs. The new policy, which will take effect on April 8, comes a year after the government implemented the parcel tax to promote cross-border e-commerce in China. The parcel tax rate for lower-end products such as food and infant items is 10%, according to Wang Wei, Director of the Institute for Market Economy of the State Council Development Research Center. “Such low tax rates are in fact giving cross-border e-commerce sites an unfair advantage over offline retailers,” she said. E-commerce site Alibaba Group said that lower-end products such as food and baby products will be subject to heavier taxes after the tax adjustment. The price of cosmetics on the other hand may become cheaper if a single deal exceeds CNY100. Last year, online sales of imported goods reached CNY638 billion and accounted for 17% of China's total online retail sales, according Mintel Group, a London-based market research company. The most popular categories of products purchased online in China are food, beauty products, consumer electronics, clothing and shoes, the China Daily reports.

- Alibaba aims to double its annual online retail transactions within five years by cooperating with online and offline business partners and vendors. The gross merchandise volume (GMV) on its retail sites Taobao and Tmall for the current fiscal year, which started on April 1, 2015, already surpassed CNY3 trillion, an annual rise of around 23%.
- The noodle business in China experienced tough times last year, with two leading companies reporting double digit profit declines. Tingyi, the maker of the popular Master Kong instant noodle brand, reported its net profit last year fell 36% to USD256 million from USD400 million in 2014. Annual turnover dropped 11.09% to USD9.1 billion last year. Noodle retailer Ajisen China reported that its net profit last year fell 17.7% to HKD226.9 million.

SCIENCE & TECHNOLOGY

Chinese universities move up in QS ranking

China has 88 universities that have at least one subject ranking in the world’s top 400, according to the latest “QS World University Rankings by Subject 2016” report from London-headquartered education company Quacquarelli Symonds. It looks at 42 individual subjects taught around the world and names the top 400 institutions in each of those subjects, based on the institutions' academic reputation, employer reputation and research impact. A total of 58 colleges and institutions from the Chinese mainland, eight from Hong Kong, 21 from Taiwan and one from Macao were included in the ranking for breaking into the top 400 in at least one subject. The good performance of the 88 educational institutions was second only to the U.S., which had 164 colleges and institutes ranked. “This year, China has five subjects in the global top 10, 65 subjects taught at seven universities that are in the top 50 and 134 subjects from 24 universities in the top 100, these are internationally recognized achievements,” Zhang Yan, China Director at the QS Intelligence Unit, said.

- Professor Peter Salovey, President of Yale University in the United States, has led a delegation to visit Peking University where he gave a speech to students. Yale signed a memorandum of understanding (MOU), allowing medical students from Peking University to participate in clinical training at Yale. Lin Jianhua, President of Peking University, said the arrival of the delegation from Yale was the highlight of the ongoing Peking University-Yale University Exchange Week.
- China’s first orbiting space laboratory has been scrapped and will burn up in the coming months as it is gradually allowed to descend into the earth’s atmosphere. The Tiangong-1 laboratory was put into orbit in 2011, but was only designed to operate for two years and had exceeded its lifespan, the China Manned Space Engineering Office

said in a statement. “Its functioning failed recently, its data service has been terminated officially,” the statement added. It successor will be launched in the third quarter of this year. An unmanned and two manned Shenzhou spacecrafts have docked with the spacelab and it received six visitors, including Liu Yang and Wang Yaping, China’s first female astronauts.

- Companies remain a top employment choice among Chinese students returning from overseas study, while those wanting to start their own businesses are a small minority, according to the “2015 Blue Book on the Employment of Chinese Students Returning from Study Overseas”. Two-thirds of the Chinese students polled prefer to work at companies after coming back – 29% hope to enter foreign-invested corporations, 20% prefer state-owned enterprises (SOEs) and 17% favor private ones. Only 3.3% want to become entrepreneurs.

STOCK MARKETS

Zhuhai Boyuan delisted for breaching information disclosure rules

The Shanghai Stock Exchange has for the first time delisted a company for breaching rules on information disclosure. An investigation found that Zhuhai Boyuan Investment Co’s violation was “very grave,” the bourse said. The company forged bank’s acceptance bills to cover up CNY380 million in earnings its controlling shareholder had failed to pay. It also inflated assets, revenues and profits. The delisting highlights the China Securities Regulatory Commission’s zero tolerance of major violations. Hopefully the move will encourage listed companies to disclose information in accordance with rules and this could help better protect investor’s legitimate rights and interests and promote the stable and healthy development of the capital market, the stock exchange added. The China Securities Regulatory Commission (CSRC) launched an investigation into the case in June 2014 and handed it to the police in March 2015. Boyuan received a delisting warning on March 31, 2015, and halted trading of its shares on May 25 the same year. The last company delisted by the Shanghai exchange was China Erzhong Group (Deyang) Heavy Industries in April 2015. The reason was years of losses. CSRC said in February that it punished 10 companies last year over information disclosure by fining them and confiscating funds, the Shanghai Daily reports.

Shares of Zhuhai Boyuan will return for pre-delisting trading for 30 days from March 29. The CSRC may force out more problematic listed companies in 2016. However, the CSRC dismissed reports that it had created a blacklist of 30 to 40 problematic listed companies, which it planned to delist. Spokesman Deng Ge said: “Stock exchanges are responsible for the delisting of listed companies.” He also said that plans for the introduction of a new strategic emerging industries board in Shanghai were excluded from the country's 13th Five Year Plan (2016-20) earlier this month because they are still at the discussion stage.

- Confronted with a plunge in the stock market last year, the People’s Bank of China (PBOC) contacted the U.S. Federal Reserve (FED), asking it to share its play book for dealing with Wall Street’s “Black Monday” crash of 1987. The request came in a July 27 e-mail from Song Xiangyan, the PBOC’s New York-based Chief Representative for the Americas. The FED quickly provided a bunch of publicly available documents, but it is unclear if they played a role in shaping Beijing’s actions.
- The CSRC said that IPO applications by seven companies had passed its review. The total capital to be raised by the seven firms is expected to be no more than CNY2.6 billion. Four of the seven firms will be listed on the Shanghai Stock Exchange, one on the small and medium enterprise board of the Shenzhen bourse, and two on the Nasdaq-style ChiNext board. The firms include Flyco Group Co, Zhejiang Lang Di Group and Shandong Swan Cotton Industrial Machinery Co.

TRAVEL

China opening legal path for Uber and Didi Chuxing

China has scrapped 18-year-old regulations governing taxi services, paving the way for the legalization of online ride-hailing services such as Uber. In a move aimed at leveling the playing field between old and new business models, the Ministry of Housing and Urban-Rural

Development and the Ministry of Public Security signed a document on March 16 that approved the scrapping of the previous regulation, which had been effective since 1998. It is not known when the new rules, which are also expected to abolish the high franchise fees paid by taxi drivers to their companies, will be released. Transport Minister Yang Chuantang said he hoped the new regulations, covering both taxi and car-hiring services, would be released "as soon as possible". He said they would "reflect public opinion received last year". "As a new invention, online ride-hailing services have been a good experience for consumers, and welcomed by some passengers. So our solution is to provide a legal way forward for the industry", Yang said.

Didi Chuxing Technology, China's largest car-hailing app operator, is now processing over 10 million orders a day, making it the second-largest online transaction platform in China after Alibaba's Taobao. Didi Chuxing, which rebranded last September from Didi Kuaidi to represent its broader portfolio of services including carpooling, shuttle buses and more, saw its 250 million users complete a total of 1.43 billion rides last year, the company said. Its carpooling service Didi Express Pool saw over 1.57 million daily rides just three months after its launch in June. By the end of last month, the total number of people using this service in 15 of China's biggest cities had passed 83.2 million, according to Didi. The cities include Beijing, Hangzhou in Zhejiang province, Chengdu in Sichuan province, and Guangzhou in Guangdong province, it said. Carpooling is becoming more popular among Chinese customers.

- Chinese tourists splashed out a record USD215 billion on their holidays abroad last year. The figure was 53% higher than the 2014 total, adding greatly to the growth in global spending on travel and tourism, according to a World Travel and Tourism Council report. The report also put China ahead of the United States and other developed countries as the top global source of tourists, in both number of trips made and money spent on overseas trips. Spending by foreign visitors in China increased just 3% last year.
- More international and local cruise companies have been expanding restaurants and shopping facilities on board ships to cater to the demands of Chinese tourists. They have closed bar and spa facilities, which did not interest Chinese travelers. "On average, every Chinese tourist spends USD200 on a cruise trip, with most of the money spent on meals and shopping," said Liu Jianbin, Cruise Division Manager at China's leading travel website Tuniu. The Beijing-based China Cruise & Yacht Industry Association says there were about 2.5 million Chinese tourists taking cruises last year – an increase of 44% compared with the year before.
- China has stepped up security measures at its airports in response to the attacks in Brussels, the Civil Aviation Administration of China (CAAC) said. The latest measures were intended to "inspect every passenger entering the airport." At Beijing Capital Airport, three officers were stationed at a terminal entrance testing bags under a sign that read: "Security inspection for anti-explosive. Please cooperate," although not all passengers were checked.

VIP VISITS

Meeting on cooperation along the Mekong river held

At the Lancang-Mekong Cooperation Leaders' Meeting in Sanya, Hainan province, China and five other countries along the 5,000-km Mekong river agreed to deepen cooperation and build a comprehensive connectivity network covering railways, highways, waterways, ports and aviation. China also promised CNY10 billion in preferential loans and a credit line of USD10 billion to support infrastructure and production capacity projects. The Mekong river, whose upper part is known in China as the Lancang, is an important water source for the five countries on the Indochinese Peninsula – Laos, Myanmar, Thailand, Cambodia and Vietnam. Thai Prime Minister Prayut Chan-o-cha, who co-chaired the meeting with Li, called the gathering a "new chapter" in the Lancang-Mekong cooperation process. China is the biggest trading partner of Cambodia, Myanmar, Thailand and Vietnam, and the biggest source of investment in Cambodia, Laos and Myanmar. China's bilateral trade with the five nations reached USD193.9 billion last year. The meeting decided to set up a water resource center to coordinate hydropower development and jointly deal with Mekong floods and droughts. China's dam and hydro-electric project had sparked complaints from downstream states, but a week before the meeting, Beijing agreed to discharge water from March 15 to April 10 from a dam in Yunnan at the request from Mekong Delta countries suffering the worst drought in 90 years.

- Chinese President Xi Jinping is visiting the Czech Republic. Ahead of Xi's arrival, Vojtech Filip, Vice Chairman of the Czech parliament, said China would jointly fund the construction of the international Danube-Oder-Elbe Canal. The two sides will invest around €1 billion in phase one. The proposed canal will be a Y-shaped water corridor from Poland and the Czech Republic to Slovakia and Austria.

ONE-LINE NEWS

- President Xi Jinping has asked all institutions in China to hire professional legal representatives and advisers, encouraging all political parties, government departments, citizens' organizations and state-owned institutions to have public-sector lawyers or corporate legal counsels. The initiative will help develop the rule of law in China, Xi said.
- Jiangxi Copper plans to raise up to HKD8.4 billion from its parent and Chinese private investors to expand two mines and bolster working capital, after reporting a 76% profit drop to CNY689.6 million for last year due to weak metal prices. The average three-month futures price of copper fell 13% on the London Metals Exchange last year from 2014.
- Huaneng Power International, China's largest power producer, said its 2015 net profit rose 26.9% to CNY13.65 billion from 2014, helped by a 13.7% fall in each ton of coal used. Revenue edged up 2.8% to CNY128.9 billion, with an 8.9% increase in output partially offset a 2.6% decrease in average power prices.
- Chen Yingchun, former Deputy Mayor of Shenzhen for 11 years, has died after falling from a building.

QUOTES OF THE WEEK

"You cannot talk people into believing you. You have to convince people by your performance."

Jin Liqun, President of the Asian Infrastructure Investment Bank (AIIB), quoted in the Shanghai Daily, March 26, 2016.

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