法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 18 APRIL 2016

One-line news

Quotes of the week   Zhang Xiangchen

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 companies 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. 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.

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

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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
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- Distributed through the different Chambers of Commerce in China
- Your logo on the electronic newsletter and a 200-word profile of China activities

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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

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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 2016 – 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

AUTOMOTIVE

Toyota and Ford sell the most cars in China in Q1

A tax reduction on smaller vehicles and the introduction of new models have helped a 6.8% growth in Chinese passenger vehicle sales in the first quarter of this year to 5.64 million units, compared with the same period in 2015. Toyota Motor and Ford Motor were the two leading automakers delivering the most vehicles to Chinese customers in the first three months, the China Passenger Car Association (CPCA) said. Toyota sold 291,000 cars in the January-March period, up 28% year-on-year. Ford's sales rose 14% to 314,454 vehicles during the same period. Niu Yi, Senior Manager of Public Relations at Toyota China, told China Daily that the sales performance of its mid-sized models and compact cars, such as the Corolla and Levin, as well as the localization of its hybrid models, helped sales growth. The joint venture FAW Toyota Motor sold 155,700 cars in the first three months, up 34.3% year-on-year while another joint venture, GAC Toyota Motor, sold 110,600 cars during the same period, up 19.7% year-on-year. In March, Toyota sold 100,500 vehicles, a 40.6% year-on-year increase. Charlie Ma from Ford China said the continued high demand for sport utility vehicles (SUVs) contributed to the brand's sales boost. Its SUV sales totaled 79,964 units in the first quarter, up 38% from the same period last year. Zhang Yu, Managing Director of Automotive Foresight (Shanghai) Co, said a tax reduction for vehicles of 1.6-liter or below, which was implemented in October, was the main reason for the sales growth in the industry, the China Daily reports.

The China Association of Automobile Manufacturers (CAAM) said sales of sedans, sport-utility vehicles (SUVs) and minivans rose 9.8% year-on-year to 2.06 million last month. Sales of

SUVs alone rose by nearly half, minivan sales added nearly 18%, but sedan sales dipped 3.3%. Total vehicle sales, including trucks and buses, rose 8.8% to 2.4 million.

- Automaker Zhejiang Geely Holding Group Co will launch a new brand next year, codenamed “L”, with cars based on the Compact Modular Architecture platform developed together with Volvo. Geely’s sales rose 22% to around 510,000 vehicles last year, and Volvo’s earnings tripled.
- Australia’s Telstra Corp has agreed to sell most of its stake in Autohome, China’s leading online car retail website operator, to Ping An Insurance for USD1.6 billion. Ping An is acquiring 47.7% of the total issued shares, while Telstra retains a 6.5% interest in the online business that it has owned since 2008. Beijing-based Autohome saw a 62.4% jump in revenue last year to CNY3.46 billion. Autohome provides both professionally-produced and user-generated content, as well as a comprehensive car library.

FINANCE

AIIB, World Bank and ADB to jointly finance projects

The China-led Asian Infrastructure Investment Bank (AIIB) has said it will co-finance projects with the World Bank and the Asian Development Bank (ADB). The three banks will approve the first group of co-financed projects in June. AIIB President Jin Liqun and World Bank Group President Jim Yong Kim signed a framework agreement that outlines the co-financing parameters of AIIB-World Bank investment projects. The agreement paves the way for the two institutions to jointly develop projects this year. The AIIB expects to approve about USD1.2 billion in financing this year, with World Bank joint projects likely to account for a sizable share. The World Bank said that it is discussing with the AIIB nearly a dozen co-financed projects in sectors including transportation, water and energy in Central, South and East Asia. Jin said that the AIIB could provide financing for nonphysical infrastructure such as health and education in the future.

- Chinese bankcard holders’ confidence in March edged up from a month earlier as they spent more on entertainment, transport and business activities. The Bankcard Consumption Confidence Index picked up 0.49 points from that of February to 81.08 points. Expenditure at hoteliers and gas stations surged 28.8% and 28.7% from a month ago respectively.
- More startups are expected to secure capital from the equity crowdfunding platform of JD.com. JD Finance has so far helped 89 startups secure CNY1.1 billion in funding since it launched its equity crowdfunding platform about a year ago. As many as 23 startups out of the 89 are preparing to go public on the Beijing-based National Equities Exchange and Quotations (NEEQ). The slowdown of China's economic growth has made it more difficult for startups to raise fund. The platform's goal is to support 100 companies to go public in the next 10 years.
- State-owned China Railway Materials, the nation’s largest railway materials distributor and one of its largest steel products traders, has requested a trading suspension of its bonds to give it time for restructuring them. It is believed to be the first company directly owned by the central government to do so. “In recent years, China Railway Materials’ business scale has shrunk continuously while profitability has fallen,” it said in a filing on the website of the China Foreign Exchange Trade System that operates the interbank fund-raising market.
- Taiwan said it would not join the Asian Infrastructure Investment Bank (AIIB) because the conditions violated its “dignity and the principal of equality”. AIIB President Jin Liqun said that if Taiwan wanted to join the bank, it must follow the Hong Kong model in having China’s Ministry of Finance apply on its behalf in line with the bank charter. “We cannot accept such a model,” Taiwan’s Finance Minister said. Earlier, Taiwan’s bid to join the AIIB under the title of “Chinese-Taipei” was rejected
- Deutsche Asset Management plans to expand its China and Asian business as it expects the upcoming stock connect between the Shenzhen and Hong Kong stock markets and the possible inclusion of A-shares into the MSCI index next year to help

fuel economic growth in the region. “China’s economic slowdown is likely to be a short-term phenomenon while we are planning to be here for the long-term,” Asia Pacific Director Jon Eilbeck said.

- Total social financing increased by a record CNY2.34 trillion in March, up from CNY730 billion growth in February, and CNY1.25 trillion in March 2015. Total social financing includes bank loans, bonds, trust loans and equity flows to companies. Outstanding total social financing by the end of March stood at CNY144.7 trillion, according to the People's Bank of China (PBOC). Corporate bond sales hit a record high of CNY1.24 trillion in the first quarter, compared with just CNY320 billion in the first quarter of 2015. Corporate bonds now account for 18.8% of total social financing, up from just 8.4% a year ago.
- Yi Gang, Deputy Governor of the People's Bank of China (PBOC), said that China can achieve its growth target of 6.5% to 6.7% despite its efforts to restructure its economy. He made the remarks when meeting in Washington with Ben Bernanke, former Chairman of the Federal Reserve (FED).
- The People’s Bank of China (PBOC) will relax curbs on credit card lending rates and raise the cash withdrawal limit in a bid to boost the market. Effective next year, commercial banks will be allowed to set interest rates on overdrafts as low as 70% of the current rate of 0.05% a day. The upper limit of the lending rate is 0.05% a day. The PBOC will also increase the daily cash withdrawal limit from ATMs to CNY10,000 from the current CNY2,000. By the end of 2015, 390 million credit cards had been issued in China and their holders owed an outstanding CNY3.1 trillion.
- China is likely to “de-peg” the yuan from the U.S. dollar in the second half of 2017, leading to a sharp depreciation of the currency and dealing a severe blow to Hong Kong’s property market, brokerage and investment group CLSA said in a report.
- Reversing its plan to double the number of branches in mainland China to 100 by the end of this year, Citi has shuttered several branches in Beijing, Dalian and Shenzhen over the past month, amid what the bank says is a sharp decline in customer traffic as clients go online. The Qianhai branch in Shenzhen was closed only a year after it was opened. The total number of branches Citi has after the latest closures is 46, spread across 13 cities. With the branch closures, Citi will slip on the network ranking table for foreign banks in China, which is now led by HSBC. It is followed by Bank of East Asia, Singapore’s OCBC, and Standard Chartered.
- China’s Finance Minister Lou Jiwei has accused international credit-rating companies of “bias” against the country after Standard & Poor’s Rating Services and Moody’s Investors Service lowered their sovereign outlooks on the Chinese economy. The March downgrades did not reflect China’s “economic reality,” and the first quarter’s 6.7% growth rate was still very high, Lou said.
- A rooftop solar power project in Shanghai has become the first recipient in China of a loan from the New Development Bank (NDB), formerly known as the BRICS Bank. Shanghai Lingang Hongbo New Energy Development Co will receive the equivalent of USD81 million.

FOREIGN INVESTMENT

2016 to be another record year for Chinese ODI in the U.S.

China's ODI in the U.S. grew to more than USD15 billion in 2015, setting a record, with more than USD30 billion already in pending deals and projects in the first quarter of 2016, according to the “New Neighbors: 2016 Update” by the National Committee on U.S.-China Relations and the Rhodium Group. The 2015 ODI total exceeded the USD12 billion in 2014 by nearly 30%, and 2015 was the second consecutive year that mergers and acquisitions (M&As) by Chinese investors topped more than 100 deals, totaling USD13.5 billion, according to the report. “2016 will by all means be a record year for Chinese investment in the U.S. barring any major disruptions,” said Thilo Hanneman, co-author of the report, at Covington & Burling in Washington, where it was released. The number of Chinese-affiliated companies in the U.S. exceeded 1,900 at the end of 2015, extending across more than 80% of congressional districts. New York was the leading state for Chinese investment in 2015. The number of Americans employed by Chinese-affiliated companies in the U.S. rose by 12% to 90,000 at the end of last year. “We expect Chinese investment into Europe and North America to hit further record highs in 2016," said Michael DeFranco, Chairman of Baker & McKenzie's global M&A practice.

China's non-financial outbound direct investment jumped 55.4% from a year ago to CNY261.74 billion in the first three months, the Ministry of Commerce (MOFCOM) said. Hong Kong drew the most investment from the Chinese mainland, accounting for 51.6% of the total, while investment in the United States more than doubled to USD5.24 billion. ASEAN received USD2.29 billion of investment, up 44% year-on-year. Some USD5.4 billion were invested in manufacturing in the quarter, up 125.9%. Chinese firms spent USD16.56 billion on overseas acquisitions, covering 15 industries and 36 countries and regions. ODI in March rose 21.5% year-on-year to CNY66.4 billion.

FOREIGN TRADE

March exports show 18.7% increase

Exports in March increased 18.7% year-on-year to CNY1.05 trillion, reversing a 20.6% drop in February. Actual growth was 3.8 points better than the market forecast. The increase amounted to 11.5% in U.S. dollar terms. Imports data for the month were less impressive, however, falling 1.7% year-on-year to CNY855 billion. The monthly dip was the 17th in a row, albeit a big improvement on the 8% decline recorded in February. The trade surplus reached CNY194.6 billion in March, down from CNY209.5 billion a month earlier. Customs Spokesman Huang Songping attributed the bulk of the export growth to a low comparative base and strong policy support. Free-trade deals, improvements in the ailing manufacturing sector, and a stable yuan exchange rate also contributed, he said. Australia & New Zealand Banking Group described the export data as "solid," even after accounting for the low base effect. "Strong exports are possibly due to the recent pickup of electronic supply chains, while import data indicate a stabilization of commodity prices." HSBC, however, warned of the seasonal distortion of the February and March figures caused by the Chinese New Year. In the first quarter as a whole, exports fell 4.2% year-on-year, while imports lost 8.2%. Li Jing, China Economist at HSBC, said the recovery in exports was still very fragile considering the tepid growth outlook for China's main export markets, the European Union and the United States, the Shanghai Daily reports. China's trade fell 7% year-on-year in 2015 to CNY24.6 trillion, missing its target for a fourth consecutive year. Exports fell 1.8% in the period, while imports lost 13.2%. Exports to Brazil slumped 47% in the first quarter, the biggest fall among China's major trading partners. Exports to Hong Kong fell 6.5% in the same period but imports from the city soared 91%.

- The spring session of the 119th China Import and Export Fair (also known as the Canton Fair) has opened in Guangzhou, Guangdong province, with a focus on small and medium-sized firms. The fair has attracted more than 24,500 exhibitors, almost 90% of them Chinese SMEs. The fair runs through May 5.
- China has agreed to scrap some export subsidies on a range of products to reduce trade frictions with Washington. China ended a program which provided export subsidies of some USD1 billion over three years to Chinese companies in seven economic sectors. Chinese agricultural products that will lose the subsidies include apples, beef, mushrooms, pork, tea, tomatoes, beans, ginseng, poultry, seaweed, and garlic.

HEALTH

About 80% of groundwater is unsafe

About 80% of groundwater in China's major river basins is unsafe for human contact, a survey by the Ministry of Water Resources has found. The Ministry last year tested 2,103 wells in the basins of the Yangtze, Yellow River, Huai River and Hai River, finding that exploitation and pollution from industrial and agricultural emissions were the biggest threats to water standards. It was the first time the Ministry published water quality information in its monthly update. While nitrate pollution was a common and major cause of concern, in some regions groundwater was contaminated by toxic heavy metals and organic pollutants, which are more difficult to remove. Nearly half – 47.3% – of wells tested were found to have fifth grade, or "extremely bad", water quality and about a third had fourth grade, or "bad" water quality. None of the wells had “excellent” water quality. Ma Jun, Director of the Institute of Public and Environmental Affairs, said fourth- or fifth-grade groundwater was so polluted it was no longer safe for human contact. The severe contamination of shallow groundwater systems was a result of pollution in rivers and lakes from industrial and agricultural emissions, he said, as reported by the South China Morning Post.

- Chinese authorities have sacked or demoted 357 officials and arrested 202 suspects in connection with the vaccine scandal in Shandong province. The central government intends to bring all vaccines under centralized procurement procedures. The vaccines had been produced by licensed manufacturers, but had not been properly stored or transported at the required cold temperature, raising fears they might be ineffective.

IPR PROTECTION

SIPO Commissioner calls for strict enforcement of IPRs

China must establish a more integrated mechanism of intellectual property rights protection that ties in various branches of enforcement and procedures, said Shen Changyu, Commissioner of the State Intellectual Property Office (SIPO), at the China Intellectual Property Forum held in Beijing. “Stringent protection is a strategic move toward China's innovation-driven development and goal of creating a strong IP powerhouse. It meets the needs of the country's new stage of development.” An improved IP protection mechanism requires stronger cooperation between the central government and local governments, and enhanced coordination between administrations and the judicial branch, Shen said. Medicine, food and the environment should be prioritized, while emerging businesses such as the internet, e-commerce and big data will also be the focus of IP protection efforts, he added. IP administrations investigated approximately 87,000 patent infringements nationwide during the 12th Five Year Plan (2011-15), 10 times the number of investigations during the previous five years, according to SIPO. Li Bin, Vice President of Sinochem Group, compared IP to the defense force of a country, adding that “IP can help a company protect its captured market and also explore new business opportunities”, the China Daily reports.

- Nearly one in six lawsuits received by the Shanghai Intellectual Property Court in 2015 involved an overseas party, with most claiming to be victims of trademark or patent infringement. The accusers include luxury brands such as Burberry, Louis Vuitton and Gucci, and Fortune 500 companies such as General Electric, Hewlett-Packard and Microsoft, the court said in a report.

MACRO-ECONOMY

Growth data show China’s economy is stabilizing

China's economy has stabilized, according to the latest growth data for the first quarter. Although still at its lowest point for 25 years, the slowdown of the past two years has been arrested. “Almost all economic indicators improved in March,” according to the National Bureau of Statistics (NBS). Exports rose by 11.5% in dollar terms in March year-on-year, compared with a 25% fall in February, when business activities cooled due to the weeklong Spring Festival holiday. Imports continued to fall, by 7.6% from a year ago. Normura economists said in a research note that China's railway freight and electricity consumption growth improved considerably in the first quarter, which reflects stabilized industrial production growth. China’s GDP growth in the first quarter increased 6.7% year-on-year, only 0.1 percentage point lower than in the fourth quarter of last year. The economy showed structural resilience by no longer relying on highly pollutant heavy industry, low value-added shipments to overseas markets, and local governments' debt-financed investments. China’s economy is “more balanced and shows a better quality,” Sheng Laiyun, Spokesman for the National Bureau of Statistics (NBS) said. In the first quarter, China generated 3.18 million new jobs, accounting for 31.8% of the target for this year. Services saw a growth of 7.6% in the first quarter, accounting for 56.9% of total GDP growth – 2 percentage points higher than the same period last year. As economic activities continue to pick up in the second quarter, growth may rise to 7.1% in the April-June period, said Lian Ping, Chief Economist of the Bank of Communications (BoCom). Industrial output expanded 6.8% in March from a year earlier and retail sales rose 10.5%. Fixed-asset investment (FAI) rose 10.7% in the first quarter, 0.5 percentage points faster than over the first two months. State sector investment rose 23.3% in the first quarter, compared to 5.7% for the private sector.

- China's consumer prices last month continued to grow at their highest level since July 2014, while factory gate prices rose for the first time in 27 months, easing concerns over an economic slowdown. The Consumer Price Index (CPI) grew 2.3% from a year earlier in March, the same as in February, the National Bureau of Statistics (NBS) said. Food prices, accounting for nearly a third of the CPI basket, rose 7.6%, while prices in the non-food sector rose 1%. The Producer Price Index (PPI) rose 0.5% month-on-month, the first rise since January 2014.
- The moderation of China's economic growth is set to slow the growth in the East Asia and Pacific region in the coming years, the World Bank said in its East Asia and Pacific Economic Update, predicting that China's economy will grow 6.7% in 2016 and 6.5% in 2017, down from 6.9% in 2015. The region's growth is to be led by Southeast Asian economies, including the Philippines and Vietnam, the bank said.
- Chinese Premier Li Keqiang has urged local governments to push forward supply-side structural reform to help stabilize economic growth. Local authorities should continue to cut red tape, implement tax breaks, encourage innovation and eliminate outdated capacity, Li said when meeting the Governors of Hebei, Liaoning, Jiangsu, Shandong, Hunan, Guangdong and Qinghai provinces, and the Mayor of Chongqing Municipality.
- China will cut social security payment requirements to lower the burden on businesses, and increase efforts to stabilize employment, Premier Li Keqiang said. The five major programs cover endowment, medical insurance, unemployment, employment injuries and maternity insurance. Under the current arrangement, employers must pay just over 39% of their payrolls into the five social insurance programs.
- Consumer confidence in Shanghai continued to improve in the first quarter. The Index of Consumer Confidence in Shanghai, a quarterly gauge compiled by the Shanghai University of Finance and Economics, rose 1.3 points from the final three months of last year to 117.7, its second quarterly increase in a row.
- China's slowdown might not be quite as severe as first feared but its "momentous" shift from investment-led growth is still having a chilling effect on trade globally, the International Monetary Fund (IMF) said. The IMF now expects economic growth of 6.5% this year and 6.2% next, both up two-tenths of a percentage point from the last outlook in January. China accounts for a tenth of world trade and is among the top 10 trading partners for more than 100 countries.
- Significant overcapacity will remain in China's steel sector. Luo Tiejun, Director at China's Ministry of Industry and Information Technology (MIIT), said planned cuts would reduce annual steel capacity to about 1.1 billion tons by 2020 while domestic consumption was unlikely to exceed 700 million tons. "We need to cut an additional 200 million tons for the situation to become acceptable," Luo said, noting that China also currently exported about 100 million tons of steel annually.
- China's electricity consumption rose at a faster pace in March as economic activity and residential demand picked up. Power consumption rose 5.6% year-on-year last month, reaching 476.2 billion kilowatt-hours, accelerating by 1.6 percentage points from February and improving markedly from a 2.2% contraction in March last year. For the first quarter of 2016, power use surged 3.2% year-on-year to 1.35 trillion kWh.

MERGERS & ACQUISITIONS

HNA Group acquires airline catering company Gategroup

HNA Group, the parent of Hainan Airlines, agreed to buy the Swiss airline catering company Gategroup for USD1.5 billion, in the latest major Chinese overseas acquisition. The deal could be finalized in mid-July if approved by 67% of Gategroup's shareholders. HNA already bought airport servicing firm Swissport last July. The deal will help Gategroup to expand "significantly" in Asia, Chairman Andreas Schmid said. HNA pledged to retain Gategroup's current management and keep it headquartered in Switzerland. China has encouraged its domestic firms to look overseas for deals that improve their balance sheets and strengthen their operations, as the economy slows at home, the Shanghai Daily reports.

Alibaba takes controlling stake in Lazada Group

Alibaba Group Holding has taken a controlling stake in Southeast Asian online shopping major Lazada Group for about USD1 billion. Alibaba will spend about USD500 million to buy newly issued equity in Lazada and the rest will be spent on acquiring shares from existing shareholders such as British retailer Tesco. “The acquisition is expected to help brands and distributors around the world that already do business on Alibaba's platform, as well as local merchants, to access the Southeast Asian consumer market,” said a joint statement released by Alibaba and Lazada. Max Bittner, CEO of Lazada, said the transaction will help the Singapore-based company to build its consumer base and “rapidly improve” services by leveraging the Chinese company's technologies. Lazada operates retail sites in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The six countries have a combined population of about 560 million, nearly twice that of the United States. Approximately 200 million in the region use the internet, according to Internet Live Stats. Lazada saw revenue jump 81% to USD190 million in the first nine months of 2015, while active customers more than tripled to 7.3 million. However, its adjusted loss before interest, tax, depreciation and amortization more than doubled to USD212.9 million.

- Tsinghua Unigroup took a stake of about 6% in Lattice Semiconductor Corp as part of plans to become more involved in the U.S. semiconductor industry. Based in Portland, Oregon, Lattice makes programmable logic chips and related software used in a variety of items from smartphones to cars.
- Chinese e-commerce services firm JD.com is set to expand its online-to-offline (O2O) operations under a proposed USD200 million merger between its JD Daojia delivery business and Dada Nexus, China’s largest crowdsourcing delivery platform. Once the deal is completed, JD.com will own 47.4% of the combined business and a firm lead in low-cost O2O delivery services for retailers in China.

RETAIL

New consumption tax encourages domestic spending

Chinese domestic department store operators and luxury goods retailers, including Golden Eagle, Hengdeli Holdings, and Parkson Retail, are among the key beneficiaries of China’s new tax regime on overseas purchases, said analysts. The introduction of the new tax regime for cross-border e-commerce purchases in China makes it more expensive to buy certain types of foreign goods. Yee Man Chin, Director at Fitch Ratings said tighter restrictions on overseas purchases may narrow the price differential of luxury goods between China and the rest of the world, encouraging Chinese consumers to spend more domestically. “The measures may create a more level playing field for domestic retailers if enforcement is strict and not short-lived. News reports suggest the rules are being enforced more strictly,” Chin added. According to the new rules, retail goods purchased online will no longer be treated as personal postal articles but as imported goods, which carry tariffs, value added tax (VAT) and consumption tax. Personal postal articles carry a tax of 10% if they are worth less than CNY1,000. Taxes on goods valued at less than CNY50 were waived. While VAT and consumption taxes vary depending on the items purchased, they are almost certain to exceed 10%, though e-commerce consumers will enjoy a 30% discount on their taxable amount. The new policy shall apply to 1,142 commodities most often traded online. There are more than 5,000 cross-border e-commerce firms in China, according to the Ministry of Commerce (MOFCOM). It estimated cross-border e-commerce trade would reach CNY6.5 trillion in 2016 and grow at an annual pace of 30% in coming years, the South China Morning Post reports.

- McDonald’s is targeting private equity firms, including Bain Capital, MBK Partners, TPG Capital Management and Chinese state-backed conglomerate China Resources (Holdings) for its planned sale of 2,800 restaurants in North Asia, as the fast food firm is adopting the new franchise business model.

SCIENCE & TECHNOLOGY

Microsoft VP expects China to lead the world in AI

Harry Shum, Executive Vice President of Technology and Research at Microsoft, said China would “lead the world” in producing artificially intelligent (AI) hardware as the tech industry continues to find breakthroughs in this field. Citing examples like Baidu, Shum said Chinese internet companies are playing an important role in advancing artificial intelligence (AI). Cities like Shenzhen are building an ecosystem that supports the technology.

- China will further step up its oversight of the seed market to prevent illegal commercial cultivation of unauthorized genetically-modified (GM) varieties after several cases of illegal cultivation were investigated by authorities last year. However, Liao Xiyuan, Director of the Department of Science, Technology and Education under the Ministry of Agriculture, said that the country could push forward the commercial cultivation of pest-resistant GM corn varieties in the next five years.
- Premier Li Keqiang urged universities to enhance innovation in scientific research and technological development during visits to Tsinghua University and Peking University, both in Beijing. Hundreds of students at both universities greeted Li during his visit, and he had discussions with them about various fields.

STOCK MARKETS

Listed brokerages’ earnings almost double in March

China’s listed brokerages saw their earnings almost double month-on-month in March as increased trading activity boosted their commission revenue. The combined operating income of 23 firms rose 99% from February to CNY25.4 billion. Their net profit for March jumped 166% month-on-month – though it fell 11% year-on-year – to CNY13.1 billion.“Recovering trading turnover amid a market rebound last month contributed to the growth of brokerages’ proprietary businesses and commission revenue,” said Yang Rong, Analyst at China Securities. After a turbulent start to the year, China’s stock markets rebounded last month with the Shanghai and Shenzhen Component Indexes gaining 12% and 15%, respectively. The volume of shares changing hands in the month rose 72% from February to CNY13.4 trillion, which boosted brokers’ commission income significantly. Pacific Securities fared best of all in March, posting a 20-fold rise in net profit, while Industrial Securities, CITIC Securities and Orient Securities all saw 10-fold increases. In contrast, Guotai Junan Securities said its March net profit fell 31%, the only brokerage to report such a decline. The China Securities Regulatory Commission (CSRC) is planning to lower brokerages’ net assets to liabilities ratio to 10% from 20%, and their net capital to net assets ratio to 20% from 40%, the Shanghai Daily reports.

- Stocks fell on April 15, led by commodity companies, amid speculation that improving economic data in March and a surge in new credit will prompt authorities to refrain from adding stimulus measures. The Shanghai Composite Index fell 0.1% from a three-month high, trimming its weekly advance to 3.1%.

TRAVEL

CRRC bidding for subway contracts in Los Angeles and Philadelphia

High-speed locomotives maker China Railway Rolling Stock Corp (CRRC) is eying contracts in more cities in the United States, including New York, Los Angeles and Philadelphia. CRRC is also bidding for a subway project in Los Angeles and a double-deck train contract in Philadelphia. The Chicago Transit Authority last month ordered 846 railcars from CSR Sifang America, a unit of CRRC, its second U.S. deal in 18 months. “The project is the largest track-vehicle purchase in the history of Chicago and China's largest subway train export to developed countries. According to CRRC, international sales in 2015 rose 66.9% year-on-year, with a gross revenue of CNY26.57 billion. Last year, CRRC started several high-speed train projects, including China-Laos, China-Thailand, Hungary-Serbia, Russia, Jakarta-Bandung in Indonesia and the Pacific-Atlantic Railway. The United Kingdom, Ireland, Spain and Serbia have also placed orders with CRRC. Last year, two trainmakers – CSR Corp and China CNR Corp – were merged to form CRRC to better compete with Germany's Siemens and France's Alstom. China, home to the world's biggest high-speed rail network, has identified the sector as one of 10 focus industries in a blueprint for economic development, the China Daily reports. China plans to invest CNY3.5 trillion to CNY3.8 trillion in the five years to 2020 to add 30,000 kilometers of new lines so that the operational mileage reaches 150,000 km, including 30,000 km of high-speed rail.

Prospects for business aviation sector still rosy

A recent slowdown in growth in China's business jet industry will not affect the long-term prospects of the sector, according to the China Business Aviation Special Report 2016 by Hurun Report and Minsheng Financial Leasing. At least 1,420 rich Chinese people have the potential to buy 1,750 business jets, which are worth more than USD52 billion, the report said. More than 9,000 super-rich people in China have the potential to charter a plane, with the estimated flying time reaching 205,000 hours per year. In the next five years, a total of 1,850 people are expected to buy 2,320 business jets, which will be valued at USD71 billion in total. Qiao Kai, Vice President of Minsheng Financial Leasing, said that the Chinese business jet industry has been developing steadily in recent years although the growth rate has been slower if compared with the peak period. There is still much room for growth if compared with mature Western markets. Business started to pick up especially in the first quarter of 2016. Besides efficiency, independency and privacy, “face” has become a key reason for buying business jets, according to Rupert Hoogewerf, Founder and Chief Researcher of Hurun Report. The complicated procedure of applying for routes and parking is the biggest obstacle when owning a plane, the China Daily reports. The number of business jets based in China, Hong Kong, Taiwan and Macao grew just 4% to 300 last year after 38 aircraft left the region, according to consultancy Asian Sky Group, which publishes an annual fleet report.

- Guangzhou has told popular car-hailing apps, including Didi Chuxing and Uber, that they must no longer subsidize commuters and drivers, in an effort to address illegal and unfair competition. The municipal transport committee summoned executives from the six major car-hailing apps in the city – Uber, Didi, Yongche, Zuche, AAzuche and ihavecar.com – to discuss safety and competition.
- Jin Jiang International (Holdings) Co is considering increasing its stake in French hotelier Accor. Already Accor's biggest shareholder with an almost 12% stake, it could raise its stake in the Paris-based company to about 20%. An additional 8% stake would be worth about €735 million at Accor's current share price. Accor is Europe's biggest hotel operator.

- Shanghai's pilot free trade zone (FTZ) is partnering with Ireland's Shannon Free Zone to cooperate in the aviation industry and boost cross-border investment. The two sides will cooperate in aircraft leasing, aircraft inspection and maintenance, pilot training, and aeronautical materials trading. Set up in 1959, the Shannon Free Zone was the world's first FTZ with an edge in aviation.
- China Eastern Airlines plans to expand its fleet of aircraft to more than 800 by 2020, up from 561 as of the end of 2015, President Ma Xulun said. The airline seeks to boost long-haul traffic to and from the United States after Delta Air Lines agreed to buy 3.55% of China Eastern last year, becoming the first U.S. carrier to own part of a Chinese airline.

VIP VISITS

Chinese and Nigerian Presidents agree to boost cooperation

President Xi Jinping met his Nigerian counterpart Muhammadu Buhari, who was leading a delegation of 12 ministers, six governors, 35 high-ranking officials and 160 entrepreneurs on his first visit to China since taking office last year. Buhari is trying to diversify his country's economy, which faces new challenges arising from the fall in oil prices. Nigeria is Africa's biggest oil and natural gas producer. "Our two countries fit each other, and our economies are highly complementary. We have huge potential for cooperation," Xi told Buhari. The two Presidents agreed to deepen cooperation in areas including oil refining, mineral exploration and agriculture. The Industrial and Commercial Bank of Chi a (ICBC) and Nigeria's Central Bank signed an agreement on cooperation and renminbi transactions. Nigeria was the first African country to include the Chinese currency in its foreign exchange reserves. Nigerian Minister of Agriculture and Rural Development Audu Ogbeh said that Nigeria has a large amount of arable land but needed Chinese agricultural machinery.

Australian PM Malcolm Turnbull visits China

The economy, security issues and the South China Sea were the focus of Australian Prime Minister Malcolm Turnbull's first official trip to China. Australia agreed to grant 10-year visas to qualified Chinese visitors and allow online applications. Australia attracted more than a million tourists from China last year. Witnessed by Premier Li Keqiang and Turnbull, the two countries signed five documents to boost cooperation in areas including tourism, science, industrial parks and mining. More than 1,000 business representatives attended events at "Australia Week in China" in 12 cities. The visit comes four months after the free trade agreement (FTA) between the two countries went into effect. Under the agreement, more than 86% of Australian exports can enter China duty-free, with the proportion rising to 94% in 2019 and 96% in 2029. In the past 12 months, about 100 brands from Australia made their debuts in China through the Export Growth China program, which gives Australian product and service providers easy access to China's markets, said Stephen Cartwright, CEO of the Australian Business Chamber.

- China will inject new impetus into cooperation with Israel on technological innovation, Premier Li Keqiang said when meeting with Yuli-Yoel Edelstein, Speaker of the Israeli Parliament. Edelstein was the first Knesset Speaker to visit China in 20 years. The China-Israel trade volume increased last year, showing great potential for bilateral cooperation, Chinese Premier Li Keqiang said.

ONE-LINE NEWS

- ChinaTelecom, the country's No 3 mobile carrier, appointed a new Chairman after its former Chairman resigned amid an investigation into alleged corruption. Yang Jie, former General Manager of the telco, became Chairman, while Yang Xiaowei, former Vice General Manager, was appointed as new General Manager.
- Chinese shipbuilders are seeing a surprise surge in new orders despite sluggish global demand. State-owned AVIC International Ship Development (China) Co received orders this month for four ro-pax ferries from Stena RoRo, a subsidiary of the Swedish shipowner Stena. It is the first time a Chinese shipyard has won a contract to

build ro-pax ferries for a Western owner. Chinese shipbuilders received 7.42 million deadweight tons (DWT) of new orders in the first quarter of this year, representing more than 80% of new orders worldwide.

- China is to build a database of overseas talent as part of a digital platform to match foreign experts with potential employers. Zhang Jianguo, Director of the State Administration of Foreign Expert Affairs, said that more local governments and companies in China are looking to hire foreign employees, while more expats see the country as a land of opportunity.

QUOTES OF THE WEEK

"An aircraft takes off every 17 minutes on routes flying between China and United States, Apple sells an iPhone in China every two seconds, General Motors sells a car in China every 11 seconds and McDonald's sells 1,600 hamburgers in China every minute."

Zhang Xiangchen, China's Deputy International Trade Representative in a speech at a forum held by the American Chamber of Commerce in China, quoted in the South China Morning Post, April 15, 2016.

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