法兰德斯中国商会 FCCC VCKK

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

NEWSLETTER | 13 JUNE 2016

NOTICE

New Chairman and Vice-Chairmen FCCC

After 11 years of personal efforts, Bert De Graeve (Chairman Bekaert) stepped down as Chairman of the Flanders-China Chamber of Commerce. It was decided at the General Assembly of the FCCC on May 27, 2016, that Stefaan Vanhooren would take over as Chairman. Stefaan is the President of Agfa-Graphics and Member of the Executive Committee of the Agfa-Gevaert Group. Since the establishment of the FCCC, Stefaan has been Vice-Chairman of the FCCC and he has accumulated many years of experience doing business in China.

Stefaan wishes to thank the departing Chairman for his efforts over many years. Bert De Graeve's efficiency and vision made the FCCC a powerful voice for Flanders-China relations.

"I am ready to devote myself totally to further strengthening the networking and dialogue between the business and scientific communities of Flanders and China. I look forward to working with new partners in many areas," Stefaan Vanhooren.

Bert De Graeve

Stefaan Vanhooren

Bart De Smet

Philippe Van Der Donckt

Mr. Bart De Smet, CEO, AGEAS and Mr. Philippe Van Der Donckt, Business Development Director, UMICORE, will both take up the Vice-Chairmanship of the FCCC.

Mr. Philip Eyskens, General Counsel and Vice-President Mergers & Acquisitions at Bekaert has joined the Board of Directors.

FCCC/EUCBA ACTIVITIES

Meeting and Reception with the future Consuls-General from Belgium in Shanghai and Guangzhou – 20 June 2016, 18h00 – Brussels

The Flanders-China Chamber of Commerce (FCCC) is organizing a meeting with the future Consuls-General from Belgium to Shanghai and Guangzhou. This event will take place on Monday 20 June 2016 at 18h00 at BNP Paribas Fortis, Koningsstraat 20, Brussels.

This event is an excellent opportunity to introduce your companies' activities in China with Mr Paul Lambert, future Consul-General of Belgium in Shanghai and Mr Joris Salden, future Consul-General of Belgium in Guangzhou.

Programme:

18h00-18h30	Registration
18h30-18h45	Speeches by: Mr Stefaan Vanhooren, Chairman, FCCC Mr Paul Lambert, future Consul-General in Shanghai Mr Joris Salden, future Consul-General in Guangzhou
18h45-20h00	Exchange of views and networking

Register online at www.flanders-china.be before 16 June 2016. Participation fee for FCCC members: 55 € (excl. 21% VAT), non-members: 85 € (excl. 21% VAT).

De Exportbeurs 2016 – 27-29 June 2016 – Brussels

The Export Fair, organized by Flanders Investment & Trade (FIT) will take place from 27 till 29 June 2016 at Tour & Taxis in Brussels. The Flanders-China Chamber of Commerce (FCCC) will have a booth at the Fair. The Fair will answer all your questions about international entrepreneurship. You will also be able to meet all relevant players in Flanders' export world.

What?
Three days of inspiring experiences, talks and activities:

- B2B/business meetings with country experts from FIT
- B2B and networking with booth owners – experts in international entrepreneurship

- networking with FIT-experts in international entrepreneurship
- networking with Fair visitors at the Export café
- seminars & workshops

Workshop : Doing Business with China for SME's, organized by the Flanders-China Chamber of Commerce and Flanders Investment & Trade
Time : 28 June - 15h15
Location : Export Fair

Where and when?
The Export Fair takes place from 27 till 29 June 2016 at Tour & Taxis, Brussels.

- Monday 27/06 9h-17h
- Tuesday 28/06 9h-17h
- Wednesday 29/06 9h-16h

For whom?

- Flanders' companies with international activities and/or ambitions
- Those interested may register as private persons

Price?
€50 per person per day

How to participate?

1. Register as a Flemish company or private person and make your profile. Your profile is not visible to other participants. You will receive an e-mail confirmation about your registration.
2. You will only be cleared when your full profile is made. You will receive confirmation, after which you can fill in your programme.
3. You will receive an invoice by post.
4. You will receive your final programme by e-mail

Further questions?
Mail to exportbeurs@fitagency.be or contact the FIT office in your province.

China workshop: Doing Business with China for SME's – 28 June 2016 – FIT Exportfair, Brussels

On 28 June, the Flanders-China Chamber of Commerce and Flanders Investment & Trade will organize a China workshop focused on Doing Business with China for SME's. This will take place at the FIT Exportfair from 15h15 - 16h00. This will take place at the FIT Exportfair from 15h15 - 16h00.

Speakers:

15h15	Welcome by Gwenn Sonck, Executive Director Flanders-China Chamber of Commerce
15h20	"What keeps managers awake about banking in Asia?" by Mr Mathias Deferme, Relationship Manager KBC Hong Kong (15 min) As a manager you want to: 1/ eliminate the administrative burden as much as possible; and 2/ obtain stable, long term and cross border financing solutions; and 3/ minimize the trade risk of your business; and 4/ be able to provide and hedge RMB payments. But most of all you want a local banking partner that understands your home market business and understand your real banking needs.
15h35	Testimonial of doing business with China

List of seminars and workshops at the Export Fair:
http://www.exportbeurs.be/exportbeurs/pages/13688-programma

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2016

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

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

The sponsoring opportunities are the following:

1. SPONSORING OF ACTIVITIES

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

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

2. SPONSORING AT THE FCCC WEBSITE

Your logo will be displayed on the FCCC home page with click through to your own website or to your own page on the FCCC-website

GOLDEN SPONSOR (12 months): 1.950 €
SILVER SPONSOR (6 months): 1.450 €

3. SPONSORING IN THE FCCC WEEKLY NEWSLETTER

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

Number of recipients every week: 1200 executives dealing with China

GOLDEN SPONSOR (12 months): 1.950 €
SILVER SPONSOR (6 months): 1.550 €
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

ACTIVITIES SUPPORTED BY FCCC

Agricultural sector mission – 3 to 10 September 2016 – Beijing, Yangling, Shanghai

Flanders Investment & Trade and the Province of Antwerp are organizing an agricultural sector mission to China from 3 to 10 September 2016. It offers companies active in the agro-business the opportunity to prospect the Chinese market. The mission will visit Beijing, Yangling in Shaanxi province, and Shanghai.

In Beijing, individual B2B meetings, a networking reception and a visit to the agro expo VIV China will be organized. The Province of Antwerp will also host a seminar.

In Yangling, individual B2B meetings will also be organized, as well as a visit to the Yangling Agricultural High-tech Industries Demonstration Zone, a cluster of universities, schools, research centers, and an industrial park with Chinese and joint venture companies in the agricultural sector. The Province of Antwerp will organize a networking dinner. B2B meetings will also be held in Xian.

In Shanghai, the mission will visit a Flemish company in the agro sector, and participate in B2B meetings and a networking event.

More information on the mission is available on the website of Flanders Investment & Trade. Register before June 10, 2016.

EU-China Business and Technology Cooperation Fair China Tour 2016 – 28 October – 4 November 2016 – Chengdu, Qingdao

The European Commission, the Enterprise Europe Network and EUPIC are organizing a tour to the EU-China Business and Technology Cooperation Fair China from 28 October to 4 November 2016 in Chengdu and Qingdao. This tour is organized with the support of the EU-China Business Association (EUCBA).

As an important platform for building ever closer relationship between 28 EU member states and China, the 11th EU-China Business and Technology Cooperation Fair, in the context of the importance of the land and marine Silk Roads linking China and Europe, will take place in Chengdu and Qingdao, two vital strategic cities of west and north China, the first phase in Chengdu from 28 October till 1 November, 2016 and the second phase in Qingdao from 2 to 4 November, 2016. The fair will gather 1,500 participants of companies, state/regional governments, clusters, business associations, EU-China Cooperation experts, universities, R&D institutions from west and north China, the European Commission, EEN partners, and European countries who are seeking potential collaboration and partnerships with their counterparts.

Chengdu is the centre of West China and hometown to the giant pandas. It is also the i nitial station of the Chengdu-Europe Express Railway to Lodz, Poland. Forbes listed Chengdu as one of “The Next Decade’s Fastest Growing Cities Globally”. Chengdu Shuangliu International Airport is ranked first in Mid & West China, with direct flights to Amsterdam, London, Paris, Frankfurt, Moscow, etc. There are 14 Consulates General in Chengdu. Leading industries are ICT, environment, renewable energy, new materials, life sciences, bio-pharmaceuticals, aviation, and modern agriculture.

Qingdao is located at the intersection of two Silk Roads, both through the continent and over the sea. It is the converging point for Asia-Pacific economic integration. 70% of China's academicians and 30% of senior researchers on maritime sciences and technologies are based in Qingdao. The EU Is now the No 1 trading partner for Qingdao. Leading industries are maritime equipment, maritime bio-pharmaceuticals, renewable energy, new materials, maritime environment, ICT, home appliances, and rolling stock.

PAST EVENTS

Seminar: How to Tackle a Changing China – 18 May 2016 – Antwerp

The Flanders-China Chamber of Commerce and the EU SME Centre in Beijing organized a seminar focused on '*How to Tackle a Changing China'*. The seminar covered two sessions. The first was delivered by the EU SME Centre's Director Chris Cheung, who provided an overview of the recent changes in the Chinese business environment and the opportunities and challenges that arise as a result. The Centre's Business Development Advisor, Rafael Jimenez, then discussed the increasing trend of Chinese overseas direct investment to the EU and what this means for EU SMEs. "Winning in China" was introduced by Ji Bo, Chief Representative, Cheung Kong Graduate School of Business Europe, and Assistant Dean, Global Executive Education.

The seminar was organized on 18 May at Agfa-Gevaert in Mortsel. It was concluded by a Q&A session followed by networking. The briefing was organized with the support of Flanders Investment & Trade and the EU-China Business Association.

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 organized an interesting briefing focused on 'China's New Normal: What are the challenges and opportunities for businesses?'. This briefing took place on 18 April at The Conference Board in 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, delivered a special briefing to help companies 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 also provided 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, facilitated the briefing, which was conducted according to the Chatham House Rules.

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MEMBERS' NEWS

Visit of Ghent University to Xinjiang Institute of Ecology and Geography (XIEG), Chinese Academy of Sciences – 24 - 27 May 2016

From 24 until 27 May 2016, a delegation from Ghent University visited the Xinjiang Institute of Ecology and Geography (XIEG) of the Chinese Academy of Sciences (CAS) in China. The main goal of the visit was to sign a Joint Lab agreement between the two institutions.

The agreement for the “Sino-Belgian Joint Laboratory for Geo-information” was signed in the presence of H.E. Michel Malherbe, Ambassador of the Kingdom of Belgium to China and two other representatives from the Belgian Embassy; the Director General of XIEG, Prof. Chen Xi and several officials from different governmental departments in Urumqi, such as the Xinjiang Bureau of Foreign Experts, the Xinjiang Foreign Affairs Office and the Xinjiang Department of Science and Technology. At the end of the official signing ceremony a signboard of the Joint Lab was revealed.

Furthermore, a diploma was awarded to the first double PhD degree student, Dr. Fang Gonghuan, who successfully defended her doctoral thesis on May 22 in front of a jury consisting of Belgian and Chinese professors from the relevant domain.

The delegation from Ghent University also accompanied the delegation from the Belgian

Embassy headed by Ambassador Michel Malherbe to the meeting with the local leaders of Xinjiang. During this meeting the Ambassador of Belgium discussed several topics, amongst which the long-lasting bilateral cooperation between Belgium and China, the signing of the Joint Lab agreement and some possibilities of future cooperation between Belgium and the Xinjiang Autonomous Region.

The establishment of this Joint Lab is a direct outcome of the close cooperation between Prof. Philippe De Maeyer, Department of Geography, Faculty of Sciences, UGent and Prof. Alishir Kurban, Associate professor from the Xinjiang Institute of Ecology and Geography (XIEG), Chinese Academy of Sciences (CAS) in China.

This signing will definitely further strengthen the already existing cooperation between Ghent University and the Xinjiang Institute of Ecology and Geography (XIEG) of the Chinese Academy of Sciences in China.

AUTOMOTIVE

Tesla to expand charging infrastructure in China

Charging infrastructure will no longer be a hindrance for Tesla vehicle owners as the company plans to ramp up charging infrastructure in China, its largest and fastest growing market, according to Robin Ren, Tesla’s Vice President for the Asia-Pacific region. “Today you can drive all the way from Harbin, a city in the north, to Shenzhen, located in the southernmost part of China, with a Tesla car by using our supercharging network,” he said. There are currently about 100 supercharging stations in China, with about 400 superchargers in total. Apart from the supercharger network, Ren said the company is working closely with utility companies on a plan that allows Tesla car owners to install electric chargers at homes and parking lots. The plan has achieved a success rate of 80%, he said, adding that Tesla has installed over 1,400 destination chargers at shopping malls, office buildings and hotels. These units allow drivers to charge their vehicles while they are out and about at popular spots in the cities. Ren said China is now the company’s second largest market behind the U.S. in terms of Model S orders. The Model S is Tesla’s affordable, mass-market electric vehicle with an estimated cost price of about USD35,000, the South China Morning Post reports.

- Auto supplier Continental aims to double its China sales from last year's €4.5 billion to €10 billion by 2020, according to Ralf Cramer, President & CEO of Continental China. Continental's global sales in 2015 were €39.2 billion, of which China accounted for about 11%. Its China market achieved double-digit growth in the first quarter. The company will establish a new research and development (R&D) center in Chongqing.

FINANCE

Bank of Beijing to invest in technology companies

Bank of Beijing is preparing to launch an investment subsidiary to invest in technology companies with potential for high growth, as well as lending to startups. The move follows Bank of Beijing's selection by the China Banking Regulatory Commission (CBRC) as one of the first batch of 10 banks to participate in a pilot program to establish an “investment and loan linkage mechanism” for qualified technology startups. Previously, if a commercial bank wanted to invest in a company, it had to do so through a non-bank financial institution. For example, Bank of Beijing invested CNY7.6 million through an asset management company in a Beijing-based network technology firm, which mainly serves radio, television and telecommunication operators. Bank of Beijing's Xu Ningyue said that more innovation in the financial markets should be done, the China Daily reports.

- The first batch of investments by the Asian Infrastructure Investment Bank (AIIB) will be announced on June 24 during its third board meeting, according to President Jin Liqun. These will include the bank's solely financed projects, as well as those co-financed with the World Bank and the Asian Development Bank (ADB). “The AIIB will also build branch offices responsible for raising capital in both international and regional financial centers such as London, New York and Frankfurt,” Jin said.

- The popularity of Bitcoin is rising in China amid a slumbering stock market, heightened expectations of the yuan's devaluation and the opportunities it offers to stay under the radar of the anti-corruption campaign. The currency has surged 30% in a two-week period and trading volume on BTC China has jumped three to five times recently, with the majority of trading worldwide conducted via Chinese exchanges. "The price increase is attracting fresh buying interest," said Richard Zhu, a senior IT engineer at Shanghai-based financial service firm Zillion Fortune.
- Internet search firm Baidu and China Pacific Property Insurance announced the establishment of an online car insurance company that will extensively use "big data" resources in its operations. Vehicle insurance premiums in China totaled CNY620 billion last year. Baidu, Tencent Holdings and JD.com also agreed to each invest USD50 million in New York-listed Bitauto, a leading provider of online content and marketing services for China's car industry.
- China has become the world's largest and fastest-growing market for proximity mobile payments, with more than a third of the nation's smartphone subscribers predicted to be using the technology this year, according to research company eMarketer. "The phenomenal opportunity for retailers is that smartphone users in China are more willing to store payment information in their phones and experiment with other forms of non-cash payments than users in most developed countries," eMarketer forecasting analyst Shelleen Shum said.
- China's foreign exchange reserves ended a two-month rise in May, hitting their lowest level since December 2011 amid a weakening yuan and speculation over a rate rise by the U.S. Federal Reserve. Forex reserves fell USD27.9 billion to USD3.19 trillion last month, according to the People's Bank of China (PBOC). Xie Yaxuan, Chief Economist at China Merchants Securities, said the dollar might remain strong this month and into July, which might further weaken the yuan.
- Hong Kong Exchanges & Clearing (HKEx), which owns the London Metal Exchange, plans to set up a national platform for spot metals trading in the Qianhai Special Zone in Shenzhen, to tap into the huge need among Chinese companies to diversify raw material supply sources and hedge exposure to price volatility. After obtaining regulatory approvals, the platform may start trading in the first half of next year, with some base metals like aluminum and copper among the first to be traded.
- The yuan edged up against a basket of currencies in May. The yuan exchange rate composite index, which measures the yuan's strength relative to a basket of 13 currencies including the U.S. dollar, euro and yen, stood at 97.15 at the end of May, up from 97.12 a month earlier. The yuan weakened 1.5% against the dollar due to anticipation over an interest rate hike in the U.S.
- Payment companies including Visa, MasterCard and Alipay are now allowed to apply for a license to provide domestic bank card clearing services after the People's Bank of China (PBOC) and the China Banking Regulatory Commission (CBRC) eased the curbs over bank card clearing operations. Only companies that have conducted payment or clearing operations for more than five years are able to apply. China UnionPay is currently the only approved entity to provide clearing services for bank card transactions in China.
- China's Ministry of Finance has listed its first sovereign offshore renminbi bond on the London Stock Exchange. The CNY3 billion three-year bond is the first offshore renminbi bond issued by the Ministry of Finance outside of China. Bank of China (BOC) and HSBC are joint global coordinators of the bond. The Bank of England's acceptance of the bond as an eligible collateral instrument increases its attractiveness to investors.
- The International Monetary Fund's First Deputy Managing Director David Lipton urged China to take immediate steps to tackle rising corporate debt or risk "dangerous detours" during the country's transition to a consumption-oriented economy. China has accumulated debt faster than any Group of 20 nation over the past decade, climbing to 247% of gross domestic product (GDP), according to Tom Orlik, Economist for Bloomberg Intelligence.
- People's Bank of China Vice Governor Zhang Tao said that ensuring the stability of the financial sector did not mean protecting every institution against failure, indicating that China would enact new regulations on bankruptcy of financial institutions. "Any

industry that does not have a way to elevate winners and eliminate losers can't develop in a healthy and sustainable way," he added.

FOREIGN INVESTMENT

Premier promises fair, equal and transparent environment for foreign investment

Premier Li Keqiang has vowed to create a fair, equal and transparent market environment for foreign investors. He made the remarks when meeting the 15 Presidents and CEOs of multinational corporations attending the Fourth Global CEO Council Round Table Summit, hosted by the Chinese People's Association for Friendship with Foreign Countries. "The Chinese government will take more measures to attract foreign investors by cultivating a market which is more fair, equal and transparent," he told the business leaders. He said enormous market potential exists in sectors such as telecommunications, healthcare and sports to provide new opportunities for multinational corporations. Premier Li said China has great potential to be one of the most attractive destinations for foreign investments. The theme of the summit was the opportunities and challenges for multinational corporations during China's 13th Five Year Plan (2016-20).

European Chamber publishes Business Confidence Survey 2016

The European Union Chamber of Commerce in China and Roland Berger have published the 2016 Business Confidence Survey. China's economic slowdown continues to pose a significant challenge to both Chinese and European companies, the report says. However, a business environment that is increasingly hostile combined with a playing field that is perpetually tilted in favor of domestic enterprises means the effects of the slowdown are intensified for European business. Beijing's failure to deliver on promises that foreign-invested enterprises (FIEs) will enjoy a more open, competitive market has triggered a fresh wave of pessimism, with 41% of European companies now re-evaluating their China operations and planning to cut costs, including through headcount reduction. More than half of the respondents in the Business Confidence Survey 2016 report that doing business in China is becoming more difficult year-on-year. Entrenched anti-competitive policies and a failure to enact tangible reforms in crucial areas such as rule of law, eliminating local protectionism, removing market access barriers, reigning in overcapacity and tackling high levels of domestic debt are just some of the key reasons.

Pessimism about the business outlook for China operations of European companies has reached an all-time high, with 31% of respondents bearish about their profitability – an eight-point increase over 2015 figures. Another 15% of respondents report concern about company growth, which is seven percentage points higher than last year. Anxiety over the increasing difficulties of conducting business in China is particularly pronounced in the information technology and telecommunications, machinery and chemicals sectors. Additional market access barriers account for the first two sectors, whereas as a continued worsening of overcapacity accounts for the latter. After 35 years of dynamic economic development it is natural that the pace of growth should ease off in China, a process that is already well underway. Despite this, China remains a significant investment destination for European companies with 47% reporting that they plan to expand their operations. However, it is noteworthy that this represents a nine-point decrease from 2015. Furthermore, only three years ago a staggering 86% of European companies were intending to expand operations, which provides an even more sobering perspective. In fact, European investment in China is down about 9% overall from 2014, to €9.3 billion in 2015, suggesting that China is losing its privileged position in the investment portfolios of many European companies. This contrasts starkly with the staggering €20 billion that China invested in Europe in 2015, a 44% leap from 2014. However, while the slowdown in economic growth is the primary reason that respondents are scaling back their investment plans, concerns over the nation's growing debt, slowing exports and dwindling returns on investment – particularly in sectors burdened by overcapacity – make it clear that this is by no means the only reason.

As China looks to ease the transition of its economic model towards one based on qualitative growth, the government has repeatedly promised to enact reforms aimed at shifting the market to the heart of the nation's economy. But here too European firms have been disappointed with the resolve that has been demonstrated. In fact, it often seems that Beijing is moving in the opposite direction, promulgating vaguely-worded, security-related laws and strangling internet access to the point of harming domestic as well as international businesses. Yet in the face of these considerable challenges European companies have continued to post reasonable business performance overall, with more than half of the respondents reporting increased revenues for 2015. This is indicative of the tenacity of European companies and their experience in successfully navigating choppy economic waters, the European Union Chamber of Commerce in China and Roland Berger report in the survey. Most European firms also remain committed to China with only 11% of respondents saying they have made plans to shift investment to other markets, although 41% anticipate having to cut costs in response to the current business climate. As previously alluded to, headcount reduction is one of the primary methods that will be used to decrease overheads.

- 56% of respondents are of the view that doing business in China has become more difficult, a five-point increase from 2015.
- 57% report that foreign companies tend to receive unfavorable treatment compared to domestic Chinese companies.
- 57% of respondents believe that environmental regulations are strongly enforced against foreign companies, while only 14% think that they are strongly enforced against Chinese state-owned enterprises (SOEs) and only 12% think that this is the case with privately-owned Chinese companies.
- 58% of respondents state that the recent tightening of Internet controls and access restrictions has a negative impact on their business, a 17-point jump from 2015.
- 40% of respondents feel that foreign companies are being discriminated against through recently promulgated national-security-related legislation.
- 70% of respondents feel less welcome in China than they did 10 years ago.

The Business Confidence Survey 2016 can be downloaded here.

FOREIGN TRADE

Imports rise for the first time in 19 months, as domestic demand picks up

Export growth continued to slow in May while imports rose for the first time in 19 months, pointing to a pick-up in domestic demand but a not yet an overall recovery. Exports in yuan-denominated terms rose 1.2% year-on-year to CNY1.17 trillion, slower than April's 4.1% rise, according to the General Administration of Customs. Imports surprised the market by growing 5.1% year-on-year to CNY847.1 billion, reversing April's 5.7% decline and ending an 18 months of declines. That led to a 7.7% narrowing of the trade surplus to CNY324.8 billion. "May's exports indicate that global demand remains lackluster while import data suggests domestic demand has improved," Australia & New Zealand Banking Group said. "We need to wait for a firmer recovery in the U.S. and Europe so that China's exports can sustain positive growth. For imports, we do not expect a strong rebound in the near term as domestic demand will likely edge down on a tighter credit environment." The bank said faster depreciation of the yuan in May nudged headline growth rates in yuan terms compared with those in dollar terms, and it did not expect China's monetary authorities to guide the yuan significantly lower to boost the economy. "The government does not favor competitive devaluation," it said, "but rather wants to boost China's competitiveness through innovation and technological upgrades." Li Jing, HSBC Economist, said May's figures pointed to some signs of stabilization, but recovery was not yet on a firm footing. "The detailed breakdown suggests that demand for major commodities improved substantially in volume terms, likely the result of accelerating infrastructure investment. However, the external demand outlook continues to pose key downside risks to growth," the Shanghai Daily reports. Exports to the European Union, China's largest trading partner, rose 2% year-on-year in the first five months, while exports to the U.S. and the Association of Southeast Asian Nations (ASEAN), the second and third-largest, shed 5.2% and 1.6% respectively.

- China COSCO Shipping Co, the country's largest shipping company by fleet size, officially launched COSCO Shipping Energy Transportation Co in Shanghai, creating the world's largest oil tanker fleet in terms of both ship numbers and deadweight tonnage. With a total of 105 oil tankers, including nine liquefied natural gas (LNG) carriers and a deadweight tonnage of 17.04 million, the new company has the world's biggest fleet of oil tankers and the largest transport capacity of its kind.
- China hit back at U.S. criticism over its excessive steel capacity, saying it was serious

about the issue but could not simply order cuts in an industry in which private companies held a big stake. The U.S. government says China's steel overcapacity is "damaging and distorting" global markets. China is not a planned economy any more, so we cannot directly issue orders to cut overcapacity, said Chinese Minister of Finance Lou Jiwei.

- China is now an equal or even bigger driver of export growth in neighboring economies than the U.S. and EU combined, marking a significant change since the 2008 global financial crisis, according to Deutsche Bank.

MACRO-ECONOMY

CPI up 2% in May, less than expected

Consumer inflation rose less than forecast as pressure from high food prices eased, while producer prices recovered more than forecast, the National Bureau of Statistics (NBS) said. The consumer price index (CPI) rose 2% year-on-year in May, compared to April's 2.3% increase. Food prices were up 5.9% year-on-year in May after rising 7.4% in April. Pork prices rose 33.6% last month. On a month-on-month basis, China's CPI has been dropping for three consecutive months. The producer price index fell 2.8% year-on-year in May, lower than the market expectation of 3.3% and the decline of 3.4% in April. Qu Hongbin, Chief China Economist at HSBC Holdings, said that the subdued inflation will create room for continued stimulatory policies, which is the key for China maintaining stable economic growth as external demand remains weak and the property market is full of uncertainty. Zhang Deli, Analyst at Minsheng Securities Co, said that China's consumer inflation may have peaked and there is no basis for stagflation in the long run.

- China puts great emphasis on the promotion of the non-public sector, which contributes approximately 60% to the country's GDP, 80% of employment, and over 50% of total revenue, and will make fresh efforts to boost private investment, the State Council Information Office said. Private investment registered year-on-year growth of 5.2% in the first four months of this year, about 7.5 percentage points less than in the same period of last year.
- China is likely to have initial success in its "supply-side reform" in the next three to five years with a lower debt level and reduced risk in the banking system, said Jing Ulrich, Managing Director of JP Morgan Asia Pacific. Under China's reforms, companies in traditional industries were encouraged to reinvent themselves to become more efficient with innovation in technology, she added.

MERGERS & ACQUISITIONS

Schindler acquires stake in Chinese elevator company

Schindler has bought a 25% stake in Volkslift Elevator (China) Co, with options to purchase remaining shares. It did not give a purchase price, or say when it could buy the rest of the company. Schindler is banking on acquisitions to help it catch up with Finland's Kone and Otis, a unit of U.S.-based United Technologies. The Chinese market, with more than 400 original elevator equipment manufacturers, thousands of service companies and intense price pressure, is ripe for consolidation. Schindler has had a limited presence in Zhejiang province, where Volkslift is based. China's 4 million existing elevators dwarf the United States' 900,000 lifts, and two-thirds of global new installations of lifts are in the country each year. Kone is the largest player in China, with a 20% market share, followed by Otis. Schindler, in fifth position behind Japan's Hitachi and Mitsubishi, is playing catchup by building new factories and buying rivals in regions where it has been weak, the Shanghai Daily reports.

- Chinese foreign acquisitions this year have totaled USD104 billion, close to the total announced last year, but there have also been a record USD27 billion of failed attempts, mostly in the U.S., and mostly due to regulatory pushback.

REAL ESTATE

Property developers happy with strong sales

China's property market continued to sizzle during the first five months of the year, generating "land kings" at the fastest pace since 2009, and companies posting an 80% jump in home sales during the first five months of the year. The record growth has left industry watchers perplexed and most developers sitting on piles of cash, said industry sources. According to data provided by Centaline Property, during the first five months of the year, the combined sales of 21 listed real estate companies stood at CNY684.8 billion, up 83.8% over same period in 2015. During the same period they issued USD69.32 billion of debt and equity, up from USD25.8 billion a year ago, according to data provided by Dealogic. Brokerage firm Mizuho Securities said in a recent report that in top cities like Beijing, Shanghai, Guangzhou and Shenzhen, land parcels were being sold at prices 140% higher than the government's reserve price in May. It likened the situation to the heydays of the property market in late 2009. Mizuho said in the 30 tier-2 cities, land parcels were sold at a 128% premium in April and at 86% in May, significantly higher than the 50% premium seen in the second half of 2009. Centaline Property data showed that as of May 31, 105 "land kings", defined as companies paying in excess of CNY1.5 billion for a plot, spent a record CNY328.8 billion for land purchases in China. 52 were state-owned enterprises (SOEs). It is also a sharp growth over the 60 "land kings" in 2013, the previous peak year for the property sector. "Most people blame developers for the skyrocketing home prices, but the real beneficiary has been the local governments," said a Centaline official on condition of anonymity, as reported by the South China Morning Post.

- Shenzhen tycoon Chen Hongtian bought a house on The Peak in Hong Kong for a record HKD2.1 billion, and among the highest paid anywhere in the world. But he will avoid paying 8.5% (about HKD170 million) in stamp duty, because what's actually changing hands is the company that owns the property, and will thus only pay a 0.2% levy for the transfer of the company's shares. The new owner expects redecoration to cost about HKD100 million.
- Hong Kong real estate tycoon Henry Cheng has predicted that property prices in the city will drop another 10% before hitting bottom at year's end. His estimate echoed the forecast of Lee Shau-kee – the city's second richest man – who said earlier that house prices could fall another 10% from the current level. Home prices have fallen 10.78% from their September 2015 peak.
- The average cost of existing homes in Shanghai hit a record high last month. Pre-owned houses sold for an average CNY27,500 per square meter, up 6.9% from April, Shanghai Homelink said. Some 19,900 units of pre-occupied houses were sold across the city last month, a rebound of 14.1% from April, when sales plunged more than 60% compared to March following measures by the local government to cool the market.
- China Vanke has inked four more preliminary cooperation agreements that could see the expansion of its "railway+property" development model from its home market Shenzhen to other cities. The MOUs focus on the development of the fourth phase of Shenzhen's subway system.

RETAIL

Chinese shopping mall operators pursue asset-light model

Chinese shopping mall operators, faced with the rising costs of holding land and the impact on bricks-and-mortar stores of e-commerce, are seeking to securitize their assets and use the cash to expand into new developments. The so-called asset-light model allows operators to continue to run the mall business and benefit from rental income, although analysts cautioned that it is too early to say yet whether the schemes will help the companies' bottom line. In May, Intime Retail, which owns 46 high-end department stores and shopping centers in China, announced the first asset-light arrangement for its Dahongmen store in Beijing. Intime and China Merchants Bank jointly set up an asset management body, with Intime putting in CNY330 million and the bank CNY500 million. The money was used to buy the Dahongmen store, which was then leased back to Intime at a fixed annual rental of CNY68 million for five years. The arrangement "allows the company to release the capital previously invested in the Beijing Dahongmen Store," Intime said, adding that it can use the cash to pay off the debts and re-invest in its core business of retailing. Another possible avenue for mall operators is the use of a form of real estate investment trust (REIT). At the end of 2015, Shenzhen-based Rainbow Department Store completed China's first so-called state-owned REIT project, packaging its Shenzhen store into a REIT that was listed on the Shenzhen exchange. "REITs could be a way out for the retail industry, but in China, REITs are still in their exploratory stages," said David Hong, Director of Research at China Real Estate Information Corp, the South China Morning Post reports.

- The proportion of Chinese consumers shopping online at least once in the past year using mobile phones stood at 88%, above the global average of 54%, according to PricewaterhouseCoopers (PwC) in its annual "total retail" report. The report covered more than 22,000 respondents worldwide and 900 in China. The proportion of Chinese consumers who said they shopped at least once a month on their mobile phones was 65% compared with only 28% among respondents on a global level.

SCIENCE & TECHNOLOGY

Fewer students take college entrance exam

The annual national college entrance exam was held last week, with 9.4 million students taking it nationwide, 20,000 fewer than last year. At least 13 of China's 34 municipalities, provinces and regions saw a fall in the number of students registering for the exam this year. In Beijing, Liaoning and Jiangsu provinces, the numbers have fallen to new lows. The gaokao is considered the most important exam in China, as only a small proportion of the students can be enrolled at top universities each year. Last year, more than 520,000 Chinese went abroad to study – the largest number ever.

- Data from Hong Kong's Census and Statistics Department and the New Century Forum show that the proportion of the local workforce with degree-level education had risen from 9% to 29% from 1994 to last year, but less than half of them could find top-level managerial and professional jobs. The creation of high-end jobs could not keep pace with manpower supply amid slow structural change towards knowledge-based activities.
- The college entrance SAT exams have been cancelled in China and Macao, following a leak of test materials, which could impact the fairness and integrity of the test. "When individuals attempt to profit by stealing test materials and selling them, it can hurt thousands of students who did nothing wrong, as it has in this case", SAT said in statement.
- Knowledge-intensive industries such as information, education and healthcare are hiring more college graduates, while labor-intensive ones such as architecture and manufacturing, are losing their appeal to job hunters, according to the College Graduates' Employment Annual Report. The survey, which was released by MyCOS, polled more than 250,000 college students who graduated in 2015. The report, in its eighth year, also found that small and medium-sized private companies are gaining increasing favor from college graduates.

STOCK MARKETS

U.S. awarded CNY250 billion RQFII quota

The People's Bank of China (PBOC) has given the U.S. a quota of CNY250 billion to invest in China's capital markets through offshore yuan in the renminbi qualified foreign institutional investor scheme (RQFII). Launched in December 2011, RQFII allows qualified investors to invest on the Chinese securities and bond markets within quotas. By the end of March, Beijing had allowed an accumulated quota of CNY1.21 trillion to 16 jurisdictions including Hong Kong, South Korea, Singapore, France, Germany and Britain. Hong Kong holds the biggest quota of CNY270 billion. The yuan-backed scheme is a cousin to the qualified foreign institutional investor (QFII) program, denominated in U.S. dollar and launched in 2002. They are among the few ways in which foreign investors can tap China's onshore capital market. Observers said the RQFII quota for the U.S. was symbolic, given that expectations of an interest rate increase by the U.S. Federal Reserve as early as this summer could prompt capital outflow from China. "The real impact on China's capital market will be limited, like a splash in the sea," said Yu Pingkang, Chief Economist of Changjiang Pension Insurance. ANZ Bank said the U.S. appeared more worried about Chinese policies having the potential to cause global financial market volatility, than about the weakening of the yuan exchange rate itself, the South China Morning Post reports.

- China Nuclear Engineering Corp (CNEC), the country's major nuclear power plant builder, has listed its shares on the Shanghai Stock Market. The company saw its shares surge 44% from the opening price, to close at CNY5 per share. The company had been preparing for its listing since 2010, but the process was delayed by Japan's Fukushima nuclear disaster in March 2011. CNEC said it would use funds from the listing to buy nuclear construction equipment and expand its nuclear power plant construction.
- China's A-shares are expected to be included in the MCSI Emerging Markets Index at the upcoming MSCI review on June 14. Last year MSCI held off on adding the A shares, citing three "critical" accessibility issues: the quota allocation process, capital mobility restrictions, and beneficial ownership of investments. In April this year it added "voluntary suspensions" and "anti-competitive clauses" to its concerns. Meanwhile, however, China has made progress. Goldman Sachs analysts have raised the estimated probability for the June inclusion to 70% from 50% in late April.

TRAVEL

Shanghai Yiqian Trading to take over Germany's Hahn airport

Shanghai Yiqian Trading Co is set to buy a 82.5% stake in Germany's Hahn airport from the current owner, the German state of Rhineland-Palatinate, for an undisclosed amount. The airport is located more than 120 kilometers from Frankfurt. Hahn airport ranks fifth in terms of freight volume in Germany, but has struggled in recent years with falling business and lost as much as €16 million last year. Only 2.66 million passengers used it in 2015 compared with more than 4 million in 2007. Irish budget airline Ryanair used to be Hahn airport's major user, but has been cutting back on services. Before Shanghai Yiqian's offer, Henan Civil Aviation Development & Investment Co, as well Amazon.com, were reported to be interested in buying the stake in Hahn. Zhou Yangji, an air industry consultant based in Zhengzhou, Henan province, said the airport's losses were the biggest challenge the new owner will have to address. German airport acquisitions are nothing new to Chinese investors. China PR Group Co acquired Lübeck airport in 2014, which unfortunately went bankrupt one year later. LinkGlobal International Logistics Group bought Baltic airport in 2007, the China Daily reports.

Jin Jiang raises stake in AccorHotels

Shanghai-based hotel group Jin Jiang International Holdings raised its stake in French hotel operator AccorHotels Group to 15.06%. Since January, Jin Jiang has gradually built up its stake in AccorHotels, from 5% to 10% by the end of February. AccorHotels' CEO Sebastien Bazin has held talks with Chinese conglomerate HNA Group to try to thwart the attempt by Jin Jiang to increase its stake in the company. HNA already has a 10% holding in holiday group Pierre et Vacances and is in exclusive talks to take over Servair, Air France's catering subsidiary. Bazin hoped to prevent Jin Jiang from increasing its stake to 29%, which would trigger a full public offer for the group. Jin Jiang refused to comment on the issue. Jin Jiang has made ambitious moves to expand, both at home and internationally, over the past few years. In February last year it bought Starwood Capital Group's Louvre Hotel Group for USD1.49 billion. The move was followed by another in September, when Jin Jiang signed an agreement to acquire 81% in hotel chain operator Plateno, the China Daily reports.

XpressWest terminates joint venture with China Railway International

XpressWest has terminated a joint venture with China Railway International (CRI). China Railway said the unilateral cancellation was "a mistake" and "irresponsible." and reserved the right to take legal action. The JV was set up last August to build the rail line between Las

Vegas and Victorville in Southern California. “Our biggest challenge continues to be the federal government’s requirement that high-speed trains must be manufactured in the United States,” China Railway said. “As everyone knows, there are no high-speed trains manufactured in the United States.” The project hadn’t broken ground but did have regulatory approval, although it needed further government permission to connect with Southern California’s population centers, including Los Angeles. Cost estimates topped USD7 billion. XpressWest said it terminated the deal because of difficulties that CRI had experienced in meeting performance deadlines and obtaining the required authority to proceed. Skeptics have questioned whether enough people would drive to Victorville and then board a train to make the venture profitable. Wang Mengshu, Rail Expert and Member of the Chinese Academy of Engineering, said the Chinese and U.S. companies had differences over the use of technology and equipment. The cancellation of the project is a new setback for China as it seeks to boost rail exports, following the delay, cancellation or suspension of projects in Mexico, Indonesia and Thailand over disagreements in financing and transparency.

VIP VISITS

8th U.S.-China Dialogue held in Beijing

The eighth China-U.S. Strategic and Economic Dialogue (S&ED) and the seventh China-U.S. High-Level Consultation on People-to-People Exchanges was held in Beijing. President Xi Jinping called for a swifter realization of the China-U.S. bilateral investment treaty (BIT) that is mutually beneficial. Xi made the remarks at the joint opening ceremony of the Dialogue. A total of 24 rounds of BIT talks have been held since negotiations began in 2008. China will submit a new negative list for investments that remain off-limits for foreign investors when BIT negotiators meet in Washington. In 2015, trade between China and the U.S. reached CNY558.4 billion, growing 0.6% year-on-year. China surpassed Canada as the U.S.’ largest trading partner, while the U.S. is China's second-largest trading partner. For four consecutive years, Chinese investments to the U.S. surpassed U.S. investments in China. More than 100 agreements and deals were signed at the event. China pledged to rein in excess steel output and work with the U.S. to enforce sanctions against North Korea, but there was no progress on the simmering tensions in the South China Sea. China also agreed to avoid competitive devaluations of the yuan and wind down unprofitable “zombie enterprises”. Both sides also said they welcomed investment from each other. China’s vow to persist with economic restructuring included specific steps to further open its financial sector to U.S. firms, U.S. Treasury Secretary Jack Lew said. Vice Foreign Minister Zheng Zeguang said the two sides would step up cooperation against graft. Vice Finance Minister Zhu Guangyao also said the number of agreements reached in the economic track this time was the highest in the past 10 years.

- German Chancellor Angela Merkel is visiting China for the ninth time in her chancellorship from June 12 to 14 for the fourth round of China-Germany intergovernmental consultations. Merkel was accompanied by 11 Ministers and Vice Ministers. The chancellor will also travel to Shenyang, Liaoning province, to visit the Chinese-German industrial park. Two of Merkel’s main concerns are the new NGO law and steel overproduction. Cybersecurity and industrial espionage, as well as enhancing cooperation in technological innovation will also be discussed.

ONE-LINE NEWS

- Corruption has dropped out of the top five concerns for European businesses in China, suggesting President Xi Jinping’s anti-graft campaign is having an effect.
- Hong Kong has surpassed Shanghai to become the second most expensive city in the Asia Pacific trailing only Tokyo, mainly due to the stronger Hong Kong dollar, which is pegged to the U.S. dollar, while the yuan weakened amid the economic slowdown, according to analysts at human capital consultant ECA. Hong Kong now ranks higher than all Chinese Tier-1 cities for the first time in five years.
- China plans to host a roundtable conference on anti-corruption efforts with the Organization for Economic Cooperation and Development (OECD) later this year, and push for collaboration on the issue at the upcoming G20 summit.

- Air pollution could shrink the size of China’s economy by as much as 2.5% by 2060 as a result of workers taking sick leave, which will increase medical bills and reduce agricultural output, according to a report by the Organization for Economic Cooperation and Development (OECD).
- Zhuhai's first arbitration center for intellectual property disputes opened at the city's Hi-Tech Industrial Development Zone. Local officials said the center will greatly aid rapid economic growth in the zone and create an innovative atmosphere for entrepreneurship. The city's arbitration system has dealt with almost 900 disputes in the past three years.

ANNOUNCEMENTS

Projects in Shandong province

The Flanders-China Chamber of Commerce (FCCC) has received a list of projects in Shandong province for which partners are sought. The projects are in the sectors mechanical manufacturing, IT, new energy materials, bio-pharmaceuticals, logistics and ship manufacturing, modern agriculture, food, and other sectors.

In addition, cooperation partners are being sought for three new projects:

- Technology request: A local VR (Visual Reality) company wants to find a business partner for cooperation.
- Business Offer: A local company wants to find a cage and box distributor in Europe.
- Business Offer: A local company wants to find a steel pipes distributor in Europe.

To receive a list of the projects and more details, send an e-mail to info@flanders-china.be

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