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

NEWSLETTER | 14 NOVEMBER 2016

VIP visits China to deepen cooperation with new British government

One-line news

FCCC/EUCBA ACTIVITIES

Seminar on China – Opportunities for Business – Green Technologies and Green Business Perspectives – November 24, 2016, 13h30 – Beijing

Organized by the EU-China Business Association (EUCBA)
Thursday 24 November – 13h30 – Beijing – EU Delegation

The European Union is organizing a trade mission to Beijing from November 23 till 25 for companies in the circular economy. The mission is being organized concurrently with the China International Circular Economy Exhibition (http://en.chinacace.org – www.chinacace.org).

The EU-China Business Association will take part in this mission and will be represented by Mr Philippe Van der Donckt, Vice-Chairman EUCBA and Ms Gwenn Sonck, Secretary General, EUCBA. During this mission, the EUCBA will organize a seminar focused on Opportunities for Business – Green Technologies and Green Business Perspectives. Below you can find the programme.

If you are interested in attending, please register via this link before 10 November 2016.

PROGRAMME

Introduction by Gwenn Sonck, Secretary General of the EU-China Business Association (EUCBA)
Key note speech by Bo Ji, Assistant Dean of Global Executive Education, Chief Representative for Europe Cheung Kong Graduate School of Business (CKGSB)
Presentations by:

- Philip Bartley, Director of Development Solutions (Consortium Lead)
- Reinout van Malenstein, China IPR SME Helpdesk

Venue: EU Delegation, 15 Dongzhimenwai Street, Sanlitun, Beijing
北京朝阳区三里屯东直门外大街 15 号

ADVERTISEMENT AND SPONSORSHIP

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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.

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

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Number of recipients every week: 1200 executives dealing with China

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SPONSOR (3 months): 895 €

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

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

Amounts are excl. VAT.

5. SPONSORING EU-CHINA ACTIVITIES

The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organisation registered in Belgium.
The FCCC holds the secretariat-general of the EUCBA.

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

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

ACTIVITIES SUPPORTED BY FCCC

Workshop on Standardization for smart grids and metering in China and India – 25 November 2016 – Brussels

Do you know that our Seconded European Standardization Experts, Mrs Betty XU, in China (SESEC), and Mr Dinesh CHAND SHARMA, in India (SESEI), can cater to your needs and boost your business in China and India? Some European stakeholders have already taken advantage of their support and benefited from their knowledge and network.

CEN and CENELEC take the opportunity of the presence of both experts in Europe to organize a one-day workshop on "Standardization for Smart Grids and Metering in China and India. State of play and perspectives".

When? Friday, 25 November 2016 09:00-16:00

Where? CEN-CENELEC Management Centre, Avenue Marnix, 17, 1000 Brussels
Programme? Read the programme
Registration open until Wednesday, 23 November **Register here**
For more information: Ms Alexandra Rentea +32 (0)2 550 08 53

Join us to:

- receive first-hand intelligence about the latest standardization developments in the field of Smart Grids and Smart Metering in two major export markets, China and India
- benchmark these developments with European activities in these domains, in the presence of prominent experts from the CEN and CENELEC networks
- express your potential needs and concerns regarding smart grids and smart metering standardization in China and India, to trigger future actions in the context of the SESEC/SESEI projects
- ask any question that you may have to Dr Betty XU (SESEC) and Mr Dinesh Chand SHARMA (SESEI), and get valuable insights into the articulation between standards and market access in China and India

FIT group business trip to the Pearl River Delta – 28 November – 3 December 2016

Flanders Investment & Trade (FIT) is organizing a multi-sectoral business trip to Guangzhou, capital of China's richest province in the heart of the Pearl River Delta from November 28 till December 3, 2016.

It should not be surprising that there are numerous opportunities for Flemish companies in a region accounting for 20% of China's GDP and about 40% of China's total trade.

FIT will organize:

- an individual meeting program tailored to your company
- a workshop about intellectual property rights with local experts
- a visit to a local company
- a networking event at the residence of the Belgian Consul-General

What? Group business trip China – Pearl River Delta
When? 28 November – 3 December 2016
Last registration date? 21 October 2016
Price: The first participant of each company pays €500
Additional participants of the same company pay €250
Organization: Flanders Investment & Trade

For more information visit the FIT website or contact: Michèle Surinx, Area Manager East Asia, tel: 02-5048791, e-mail: michele.surinx@fitagency.be

Group business trip 'E-commerce China' – 12-17 March 2017 – Hangzhou and Shanghai

Flanders Investment & Trade (FIT) is organizing a group business trip focused on e-commerce to Hangzhou and Shanghai on 12-17 March 2017. Discover the possibilities of your company in China through the e-commerce platform of Alibaba.

What: Group business trip
Target sectors: all sectors
Target market: China
When: From Sunday 12 March 2017 till Friday 17 March 2017
Where: Hangzhou and Shanghai, China
Who can join: companies and organizations having a Belgian enterprise number
Organization: Flanders Investment & Trade, together with AWEX, Brussels Invest & Export and Alibaba.

E-commerce is booming in China. Discover the advantages of exporting to China through Alibaba as supplementary or only distribution channel. Selected companies are invited to B2B-meetings with Alibaba's sourcing team at its headquarters in Hangzhou. The FIT office will provide tailor-made programs for all participants joining the trip to Shanghai.

Prices: €600 for the first participant of your company; additional representatives €300.
If you are only joining the trip to one location: first representative of your company: €300; additional representatives: €150.

Joining the trip to Hangzhou is only possible for those participants accepted by Alibaba to join the meeting. Non-selected participants can join the Shanghai part of the trip at a cost of €300. Selection by Alibaba will take place in December – early January. Flemish SMEs may apply for a subsidy at FIT.

Additional information: Programme website.docx

Contact: Michèle Surinx, e-mail: michele.surinx@fitagency.be tel.: 02-5048791.

Register as soon as possible before 1 December 2016, as the number of participants is limited.

For other activities supported by FCCC, see the FCCC website: www.flanders-china.be

PAST EVENTS

Seminar: "Update on the Legal Foreign Investment Regime in China and Chinese Investment Abroad" – November 8, 2016 – Brussels – organized in partnership with Linklaters

The legal environment for foreign companies in China has been undergoing some important changes in recent years. Most of these evolutions are directly linked to the implementation of China's economic reform plan and of the rule of law, which is being promoted as an essential element thereof.

The Flanders-China Chamber of Commerce (FCCC) organized a seminar to discuss how these reforms affect daily operations of foreign companies in China.

Paul Van Hooghten, Partner and Head of the Corporate Practice at Linklaters, briefly discussed the recent challenges faced by Chinese companies when doing acquisitions in Europe.

Eric Liu, Senior Consultant of the Corporate/Mergers & Acquisitions Practice, based in Linklaters' Beijing office, gave an update on the recent regulatory developments in Chinese investors' outbound investment and the foreign investment regime in China.
Tom Vandebosch, Legal Counsel at Umicore, joined the panel discussion and shared the experiences of Umicore.

The seminar was presented by Eric Liu, who has been advising clients on their inbound and outbound M&A transactions in relation to China and their operations in China for more than 13 years. His presentation dealt with the foreign exchange obstacles of Chinese investors when making outbound investments and the recent reform of the foreign investment laws in China.

The lunch-seminar took place on 8 November 2016 in the offices of Linklaters in Brussels, where a buffet lunch was also served.

For previous past events, see FCCC website.

AUTOMOTIVE

Passenger car sales increase for eighth consecutive month

China's passenger-vehicle sales climbed for an eighth consecutive month as consumers rushed to buy small-engine cars ahead of a tax cut due to expire at year-end. Retail sales of cars, sport utility and multipurpose vehicles increased 20% to 2.22 million units last month, according to the China Passenger Car Association (CPCA). Deliveries rose 15% to 18.7 million units in the first 10 months. Over the past few months, consumers have brought forth their purchases to qualify for a tax cut on vehicles with smaller engines that is expiring at the end of this year, even as the government said it is looking at extending the rebate. Chinese automakers such as Geely and Great Wall are among automakers that have benefited from the surge in demand for popular SUV models like the Boyue and H6. Wholesales of cars with engines smaller than 1.6 liters rose 26% in October, compared to 16% for those with bigger capacity, according to the CPCA. Geely, which has raised its annual sales target twice, posted an almost doubling of deliveries to 96,158 units in October, while sales for Great Wall increased 31% to 104,844 units. Deliveries of Guangzhou Automobile Group Co climbed 33% to 158,096 units, while Chongqing Changan Automobile Co's jumped 20% to 293,902 units. General Motors Co's deliveries rose 5.7% and Ford Motor Co gained 14%. Japanese automakers also saw a pickup in demand, with Nissan Motor Co posting an increase of 16%, while Honda Motor Co reported a 40% surge in sales, the China Daily reports.

- The second-generation Porsche Panamera, or 2017 Panamera, has made its Asian debut in Shanghai. In 2015, China became Porsche's largest single market in the world with more than 58,000 new vehicles delivered. In the first three quarters of this year, Porsche sold over 178,000 vehicles globally. In China, the company sold 49,229 units during the past 10 months, an increase of 11% year-on-year.

- Passenger car sales in China are expected to grow nearly 13% this year from a year earlier, according to the China Passenger Car Association (CPCA). The growth rate is double the estimate of the China Association of Automobile Manufacturers (CAAM), another major industry group, which forecast 6% growth at the beginning of the year.
- LeEco has no plans to lay off its U.S. staff or abandon its self-driving car ambitions, Brian Hui, head of LeEco's North American operations, said. The company's U.S. team has grown from 30 to nearly 600 people over the course of the year. Company Founder Jia Yueting had said the rapid expansion overseas and in many product directions had made the company cash-strapped. LeEco has plans to develop self-driving electric cars under its own brand LeSee and a separate partnership with U.S. carmaker Faraday Future.
- Renault launched a domestically-made Koleos SUV in China, the "priority market" for the new model. The SUV, costing between CNY179,800 and CNY269,800, is cheaper than the previously imported Koleos by around CNY25,000.
- Great Wall Motor Co said it will introduce a new premium brand to target the high-end market. The SUV maker led by billionaire Chairman Wei Jianjun plans to unveil its upscale WEY brand on November 16. Wei has built Great Wall into China's biggest SUV maker by offering Chinese consumers spacious models with a higher ride and at cheaper prices than sedans made by foreign brands like Volkswagen and Buick. That strategy helped propel the company to a 33% sales surge last month.
- Beijing-based start up Zhiche Auto completed a second round of financing that raised USD600 million to develop a smart car equipped with an independently-developed intelligent driving and safety system as well as internet-enabled technologies. Company Founder Shen Haiyin also introduced a new logo for the business and announced that "Singulato" would be the English name for its vehicle brand, and "Jidian" the Chinese name. Zhiche Auto will invest CNY8 billion to build a 67-hectare industrial park with an annual production capacity of 200,000 vehicles, as well as two R&D centers in Tongling Anhui province.

FINANCE

Chinese banks reduce lending in October

Chinese banks cut their lending in October to about half the level in September as the People's Bank of China (PBOC) grew less generous about providing cheap funds to lenders. New yuan bank loans in October fell to CNY651.3 billion from CNY1.22 trillion in September. Long-term household loans – mainly housing mortgages – fell to CNY489.1 billion from a record high of CNY574.1 billion in September after at least 20 Chinese major cities launched rules to curb home purchases and property speculation. The broad M2 money supply grew 11.6% year-on-year in October. However, the expansion is still slower than the government's whole-year target of 13% set in early 2016, reflecting the central bank's reluctance about excessive easing when the economic slowdown seems to be temporarily halted. "The drop in new lending last month was seasonal and does not reflect a shift in broad credit growth, which was stable in October," Julian Evans-Pritchard, China Economist at Capital Economics, wrote in a note. "This stability may not last, however, and we expect credit growth to decelerate further in coming quarters." The PBOC has sent clear messages through its interbank market operations that the days of unlimited central bank cheap-funding support are numbered. Total social financing shrank to CNY896.3 billion in October from CNY1.72 trillion a month earlier after China's financial authority started to make risk control a top priority. Zhang Jun, Chief Economist at China Fortune Securities, said mortgage loans would continue to fall in November and December as tightening policies gradually kicked in, the South China Morning Post reports.

- China's foreign exchange reserves shrank for a fourth straight month in October to USD3.12 trillion, down USD45.7 billion from September, marking the lowest level since March 2011, according to the People's Bank of China (PBOC). This was the result of China selling U.S. dollars to defend the yuan against depreciation caused by capital outflows. However, the fall was milder than expected, which showed that the central bank didn't use too many reserves to bolster the yuan, said Larry Hu, Head of China Economics at Macquaire Securities. The yuan has depreciated over 4% against the U.S. dollar since the start of the year. China's gold reserves rose to 59.24 million ounces in October, equivalent to USD75.35 billion.

- Chinese commercial banks' bad-loan ratio is not so high that it would have the potential to trigger a systemic financial risk, Wang Zhaoxing, Deputy Director at the China Banking Regulatory Commission (CBRC), wrote in the latest edition of China Finance. The Chinese banking sector's bad-loan ratio rose from 0.87% at the end of 2012 to 1.75% at the end of September, with a total balance of CNY1.4 trillion.
- China is considering whether to allow Wall Street banks to establish wholly-owned investment banking businesses in China, a move analysts said would give them wider access to the Chinese market. The negotiations are part of a new U.S.-China trade and investment framework. Details of the plan still need to be finalized, and any agreement would need to be ratified by the U.S. Senate. Overseas investment banks currently can only operate in the Chinese market by forming a joint venture with a local partner. The Chinese securities regulator lifted maximum share ownership in a joint venture to 49% from 33% in 2012.
- The China Insurance Regulatory Commission (CIRC) said it does not support insurance firms "massively and frequently" speculating in stocks. "Evergrande Life should deeply reflect on the negative effects of this practice," the CIRC said, asking to "make portfolio investment more cautious and stable."
- Shanghai's free trade zone will be the test bed for yuan-denominated bond trading targeting overseas investors this month when the city government issues CNY3 billion of municipal bonds. The three-year bonds, to be used for debt swap, will target global investors.
- Bank of Communications (BoCom), China's fifth largest commercial lender by assets, announced it will open three branches in Luxembourg, Rome and Paris in November, following the opening of a branch in London last week. The bank will also complete its acquisition of a controlling stake in the midsize Brazilian bank Banco BBM this month. When this expansion is complete, the bank will have 20 overseas branches in 16 countries and regions.
- Chinese banks held CNY222.9 trillion in assets at the end of September, an increase of 15.7% year-on-year, according to the China Banking Regulatory Commission (CBRC). Liabilities rose 15.5% to CNY205.9 trillion. Net profits grew at a mild rate of 2.83% year-on-year to CNY1.33 trillion during the first nine months. Commercial banks' non-performing loans (NPLs) increased by CNY56.6 billion to CNY1.49 trillion at the end of September. The NPL ratio was 1.76%, up from 1.75% at the end of June.
- People's Bank of China Governor Zhou Xiaochuan (68) is close to retirement. There has been a guessing game for a while as to who will succeed him. The favorites so far include PBOC Deputy Governor Yi Gang, China Securities Regulatory Commission Chairman Liu Shiyu and Bank of China Chairman Tian Guoli.

FOREIGN INVESTMENT

BIT talks expected to continue under Trump presidency

The ongoing negotiations for a bilateral investment treaty (BIT) between China and the United States will not be obstructed or delayed by Donald Trump's new administration as both sides are under pressure to stimulate their economies, experts said. "The U.S. economy still relies on big-ticket investment from China to create new market growth points to boost both the job and export markets," He Jingtong, Professor of Trade Policy at Nankai University in Tianjin, said. The U.S. remained China's biggest overseas investment destination in the first three quarters of this year. China's outbound direct investment (ODI) to the U.S. amounted to USD16.24 billion during the nine-month period. Chinese investment mainly flowed into the country's manufacturing and information, food processing, retail and housing sectors. "The road ahead is still fairly tough," said Zhang Jianping, Director of the International Economic Cooperation Institute at the National Development and Reform Commission (NDRC). China and the U.S. held their 31st round of BIT talks in Washington last week. China has signed bilateral investment treaties with 130 countries and regions in the world, according to the Ministry of Commerce (MOFCOM).

Iran JV is the first after easing of UN sanctions

Iran signed a USD4.8 billion natural gas development project with Total and China National Petroleum Corp (CNPC), marking the first joint venture with international partners since UN sanctions on the nation were eased in January. Paris-based Total will control 50.1% in the project, with CNPC taking 30% and Iran's Petropars the rest. The deal, for the 11th phase of the offshore South Pars gas field, is still preliminary, with both sides signing a “heads up agreement”, according to Gholam-Reza Manouchehri, Deputy Director of the National Iranian Oil Co. Total put the cost of the first phase of the project at USD2 billion, with Total's share at USD1 billion, Chief Executive Officer Patrick Pouyanne said. Iran has the world's biggest natural gas reserves, estimated by BP at 34 trillion cubic meters. The offshore South Pars gas field is Iran's section of the world's biggest deposit, also shared with Qatar. Alastair Syme, Oil Analyst at Citigroup in London, described the South Pars deal as “attractive,” estimating it would deliver returns of 19% for Total, the China Daily reports.

- Tianjin-based investment company Nuoxin Co has made its first overseas energy investment in the U.S. state of Alaska. The company is now the largest shareholder in NordAq Energy Ince, the owner of Smith Bay on the western North Slope of Alaska, where an oilfield with up to 6 billion barrels of oil was recently discovered. The oil reserves under the current Smith Bay leasehold are estimated at 6 billion barrels.

FOREIGN TRADE

Foreign trade continues its slump

China’s exports and imports fell more than expected in October. Exports in dollar terms last month fell 7.3% from a year earlier, while imports were down 1.4%. Yuan-denominated exports shrank 3.2% from a year ago to CNY1.19 trillion, albeit narrowing the drop in September at 5.6% annually. Imports gained 3.2% year-on-year to CNY860.6 billion. The trade surplus was CNY325.2 billion in October. However, the country’s foreign exchange reserves lost USD45.7 billion in October from September. As both exports and imports failed to meet early forecasts, China’s foreign trade decreased to CNY2.05 trillion in October, down 0.6% from the same period last year, Customs data showed. The leading index for China's exports shrank to 35.6 from 35.8 a month earlier, the first month-on-month decline since the past three months. China's exports to its top trading partners varied across the regions in January to October. Exports to the European Union grew 1% and to Japan by 0.5% from the same period last year, while exports to the United States fell 2%, and to the Association of Southeast Asian Nations (ASEAN) they declined 1.8%. Trade surplus in dollar terms widened to USD49.1 billion last month from USD15.2 billion a month earlier, leaving the country with a USD441.6 billion trade surplus in the first 10 months of the year.

Beijing urges EU to drop proposal for dumping calculation

China's Ministry of Commerce (MOFCOM) has urged the European Union to drop its proposal of new criteria for calculating dumping, which may not recognize the full market economy status that has been granted to China by nearly 100 countries. MOFCOM Spokesman Shen Danyang said that “these new measures have no basis in WTO rules, and are likely to be taken as the tools of trade protection. China thinks that countries have different economic development modes and economic management modes because of different national conditions, development phases and cultural traditions.” In the proposal, the EU introduced the concept of “market distortions” for calculating dumping. The European Commission said several criteria will be considered, such as state policies and influence, the widespread presence of state-owned enterprises (SOEs), discrimination that favors domestic companies and the independence of the financial sector. The European Commission submitted the proposal to the European Council and the European Parliament. “The European Commission's proposal, against a backdrop of rising protectionism in the West, is damaging and unwise,” said Chi Fulin, President of the China Institute of Reform and Development. “We urge the EU to use common WTO practices and rules in the anti-dumping calculation,” MOFCOM

Spokesman Shen said.

- China will seek support for a China-led Asia-Pacific free trade area (FTA) at the Asia-Pacific Economic Cooperation (APEC) summit in Peru on November 19 and 20, Chinese officials said, after U.S. President-elect Donald Trump's victory dashed hopes of the U.S.-led Trans-Pacific Partnership (TTP). Ruan Zongze at the China Institute of international Studies said the TPP would be the "first casualty" of Trump's election.
- China's Ministry of Commerce (MOFCOM) is greatly concerned about the European Union's protectionist measures against Chinese steel products. It was responding to the EU's latest decision to take temporary anti-dumping measures against imports of Chinese seamless steel pipes, based on preliminary investigations. High duties levied on Chinese products could hurt Chinese companies, the Ministry said. "These new measures have no basis in World Trade Organization rules," said Ministry Spokesman Shen Danyang, adding that the EU was illegally stripping China of its WTO rights.
- A full relaxation in China's laws prohibiting foreign-flagged vessels from moving cargo from one Chinese coastal port to another could deal a serious blow to Hong Kong's container freight industry, according to the Hang Seng Management College (HSMC). Hong Kong could lose all transshipment rights in the non-Pearl River Delta region, which could translate into a loss of 2.4 million TEU, which would mean a 14% loss of the city's annual total container throughput.

HEALTH

One-third of Shanghai residents over 35 are diabetic

One-third of Shanghai's residents over 35 are diabetics or on their way to developing diabetes, which has become a serious public health issue, the Shanghai Center for Disease Control and Prevention said ahead of the World Diabetes Day on November 14. The incidence of diabetes among local adults over 35 years old has doubled from 2002 to 17.65% now. It means that about 2 million diabetes patients are living in the city, reflecting a strong challenge for health authorities to manage and control the disease. Another challenge is that 16.51% of residents over 35 are pre-diabetes, which means their glucose level is higher than healthy people but they are not yet suffering from diabetes. However they are likely to develop diabetes if they do not manage to control it. Since 2004, all neighborhood health centers have started to educate people on diabetes, screen those at risk and put in place a patient management system. By the end of 2016, the diabetes program is slated to have screened over 300,000 people at risk.

- China will pursue rapid growth in the medical sector until 2020, with the annual growth of main business revenue above 10%, the Ministry of Industry and Information Technology (MIIT) said. In the 2011-2015 period, the main business revenue in the sector saw annual growth of 17.4% and annual profit surged 14.5%.
- Shanghai will host the 9th Global Conference on Health Promotion from November 21 to 24. Last month, the government issued the "Healthy China 2030" blueprint, which vows to assure residents equal access to basic health services by 2020. Dai Zhengshe, Director of the Shaanxi Provincial Commission for Health and Family Planning, said international experience has shown that healthy lifestyles contribute much more to reduced incidences of chronic diseases than expensive medical treatment.

MACRO-ECONOMY

China's inflation rate creeps higher on rise in food prices

China reported higher inflation last month as food prices rose ahead of the winter and producer prices jumped on a coal price rally, dampening expectations that the central bank may increase money supply to boost growth. The consumer price index grew 2.1% year-on-year in October, accelerating from 1.9% a month earlier, the National Bureau of Statistics (NBS) said. Food prices, up 3.7%, were the main factor behind the rise. The price of vegetables and pork jumped 13% and 4.8%. "Consumer prices have some upward pressure in the short term, but overall are stable," the central bank said in its third-quarter monetary policy implementation report, vowing to closely monitor the issue. The producer price index (PPI), whose impact is usually passed on to consumer goods several months later, rose 1.2% last month. It ended a 54-month decline by climbing 0.1% year-on-year in September, thanks to the rebound of international commodity prices and a recovery in the Chinese economy. The Politburo shifted its emphasis on economic policy to curb financial risks and asset bubbles at a meeting late last month, the South China Morning Post reports.

China is in the midst of garlic mania, with hot money driving prices of the herb to record highs after the authorities tightened control on funds flowing into equities and real estate. The rapid surge in garlic prices might be a worrying omen for a bigger-than-expected rebound in inflation for next year coupled with economic stagnation. Garlic prices began to rise towards the end of 2015 after heavy rains, then snow, damaged the Chinese crop planted for the 2016 harvest. The jump attracted speculative buying, fanning the upward surge, according to analysts. By the end of October, the wholesale price for the herb had jumped 70% this year to reach CNY12.5 per kilogram, the highest on record. China also experienced garlic price bubbles in 2009 and 2010 when prices increased 100-fold, triggered by a reduction in output and rampant rumors nationwide that eating garlic could prevent swine flu. Besides garlic, ginger, cotton, white sugar, and even traditional Chinese medicinal materials such as Chinese herb angelica and pseudo-ginseng, have all experienced significant price increases this year.

Debate between leading economists attracts attention

A heated debate between two of China's most prominent economists – Zhang Weiying and Justin Lin – at the Peking University campus has attracted much media and public attention. They debated whether China should embrace or ditch state-led industry policies. Both economists studied in the West and now teach at Peking University. Lin, former Chief Economist at the World Bank who holds a doctorate in economics from the University of Chicago, argued that a developing country needs government-led industrial policies to "catch up" with advanced economies. Zhang, an Oxford graduate who is an avid believer in the free market and entrepreneurship, said state-led industrial policies only lead to inefficiency and distortions. "Industry policy is the new look of Soviet-style planning economy," Zhang said. He argued for the complete abolition of government intervention in all private goods sectors, saying it brings nothing but overcapacity and corruption. Zhang said the government has both bias and vested interests, and it's not the state's role to pick winners and losers in industrial development. China's failed industry policy in automaking, solar energy and new energy vehicles proved that, he said. Zhang said China's backing of state-designated industries hurt the national economy as a whole. Lin argued that the market has inherent failures and the government has to play a role in fostering national development, although he admitted there are state industry policy failures. The Taiwan-born Economist, who swam across the Taiwan Strait in 1979 to become a government adviser for Beijing, said China's economic boom in recent decades proved the value of state intervention, the South China Morning Post reports.

- China will have 58 million kilowatt (KW) of installed nuclear power by 2020 as it expands its clean energy network and pursues green growth. The government will have around 30 million KW of nuclear energy facility going into operation and over 30 million KW of such facilities under construction in the next five years, according to the 13th Five Year (2016-2020) Plan for power development. China is expected to require about 6.8 trillion to 7.2 trillion KW of power capacity by 2020.

REAL ESTATE

House prices increase at a slower pace

House prices in China increased at a slower pace in October as tightening measures aimed at cooling the market began to take effect. The average cost of a new home rose 1.65% from a month earlier to CNY12,825 per square meter, slowing from September's 2.83% growth, the China Index Academy said. It monitors market activity in 100 cities nationwide. Prices rose in 79 cities in October, down from 81 in September. They fell in the other 21 cities. Wuhu in Anhui province led with a month-over-month price gain of 4.35%, trailed by Changsha in Hunan province. Among the country's four gateway cities, Guangzhou took the lead with a monthly gain of 2.82%, followed by Beijing, Shanghai and Shenzhen, where new home prices rose 1.26%, 1.09% and 0.27%, respectively, from a month earlier. The median price of a new home in the 100 cities stood at CNY7,306 per sq m in October, a month-on-month increase of 2.2% and a year-on-year gain of 2.67%.

- The National Development and Reform Commission (NDRC) and the Ministry of Housing and Urban-Rural Development began a nationwide month-long inspection of the real estate sector to review the working practice of both developers and agents. Home prices must be genuine and marked clearly in sales offices and all other charges must be not be concealed, they said in a joint statement. Moreover, developers and agents must disclose the number of unsold houses within a set time. The housing market in major cities has shown signs of cooling amid measures unveiled by the central government to curb surging prices.
- Three days after the Hong Kong government raised the residential stamp duty to 15% to rein in runaway home prices, adjoining luxury flats on The Peak sold for HKD104,803 per square foot, the most expensive for an apartment in Asia in terms of per square foot cost. The deal comprises two adjoining units with a combined saleable area of 8,702 square feet, at luxury development Mount Nicholson, which sold for HKD912 million on November 8. Assuming the buyers are first time purchasers, they will be charged 4.25% stamp duty, or HKD38.76 million. The price tag breaks the previous record of HKD103,762 per sq ft set by 39 Conduit Road in Mid-Levels in 2015.
- Property Developer China Evergrande Group plans to engineer a back-door listing on the A-share market, aiming to inject most of its real estate assets and other non-property businesses into a listed vehicle that would have a market value of nearly CNY230 billion. It is seeking a capital injection of CNY30 billion from strategic investors before conducting the reverse merger deal. Evergrande is to take control of Shenzhen Special Economic Zone Real Estate & Properties while injecting most of its property assets and other businesses.
- Property developer China Evergrande Group has bolstered its hand in a tussle for control of China's largest home builder, spending more than USD600 million to raise its stake in China Vanke Co to 8.29%. In August, Evergrande spent USD2.2 billion buying nearly 7% of Vanke. Evergrande's intentions toward Vanke remain unclear, but it might seek seats on Vanke's board at the next annual shareholders' meeting in March. Vanke is trying to counter a take-over bid by Baoneng.

RETAIL

Alipay tops most "relevant" brands

Alipay, the mobile payment service controlled by Alibaba Group, and Tencent's social media platform WeChat, topped the list of the most "relevant" brands in China. Also reaching the top 10 are Visa, Marriott and Uber, brands that are winning the hearts of China's middle class as they travel more often and further afield, according to the Brand Relevance Index published by U.S. marketing consultancy Prophet. The San Francisco-based firm compiled data from nearly 10,000 consumers across 24 industries ranging from airlines and apparel to dairy and beer, with the aim of figuring out which brands are the "most indispensable to their lives." Alipay, which took first place, "dominates all four brand relevance pillars we measure," the survey report said. The company holds the lion's share of China's mobile payment market. In 2015 it had 450 million active users, processing 175 million transactions daily. Also on the list were Ford, Adidas, Volkswagen and Ikea.

Marks & Spencer is leaving China

Marks & Spencer Group will withdraw from the Chinese mainland, closing all of its 10 stores in the country amid continuing losses. "Our review has shown that our stores in mainland China continue to make losses and as a result we can no longer trade with a store presence in the Chinese market," said Adam Colton, Managing Director of Greater China for Marks & Spencer. "Unclear branding positioning" is mainly to blame for the store closures, said Hanna Li, Strategist at UOB Kay Hian (Hong Kong). "M&S seems not attractive or competitive no matter whether it's regarding its brand, quality or price. It is not surprising for me to see store closures or business restructuring," Li said. " The development of e-commerce in mainland China also puts pressure on M&S's Chinese business operations as online shopping provides diversified channels for Chinese customers to buy global brands." Jack Chuang, OC&C Strategy Consultants' Greater China partner said "lack of localization" could be one of the "root causes" for the retailers' poor performance in overseas markets. "M&S made a couple of mistakes around not adapting to the market, not only in assortment, but also store format, or even the overall proposition and target consumers," Chuang said. For assortment, the retailer failed to tailor its apparel products to Chinese body shapes and style preferences while for store format, it stuck to the huge department store format similar to the UK but wasn't able to capture enough traffic without the best locations in China, he added.

Online shoppers spent billions on Singles Day.

Alibaba Group said sales by the thousands of retailers on its platforms topped CNY120.7 billion on November 11, known as Singles Day in China, dedicated to single persons and online spending. The amount was nearly six times the USD3 billion research firm Comscore says Americans spent last year on Cyber Monday, the country's biggest online shopping day. Alibaba's rivals, including JD.com, VIP.com and Suning, offered deep discounts on clothing, smartphones, travel packages and other goods to attract shoppers. JD.com said it tested delivery by drone to customers in four rural areas in what the company believed to be the first commercial use of such service. E-commerce sales in China rose by 26.1% in the first nine months of the year. China has the biggest population of internet users at 710 million, and some 410 million of them shop online. E-commerce has risen from 3% of Chinese consumer spending in 2010 to 15% last year, according to the Boston Consulting Group. It forecasts online spending will rise by 20% a year, hitting USD1.6 trillion by 2020, compared with 6% growth for off-line retail, the Shanghai Daily reports.

Statistics from Alibaba showed that more than 80% of the CNY95 billion in transactions made as of 5 pm on November 11 were completed using mobile devices, a significant growth from the 68.67% recorded last year. Fast moving consumer goods (FMCG) were among the most popular goods. Cosmetics, books, baby goods, electronics, pharmaceutical products, fresh produce, clothing and mobile phones all recorded huge sales during this year's event, according to Alibaba. Singles Day is no longer just a Chinese affair: cross-border transactions soared 47% in value compared with last year as consumers from other countries joined in the shopping frenzy, buying products from Chinese producers as well as from each other. The top five export destinations of Chinese producers were Russia, Spain, Israel, Ukraine and France.

China Railway Corp (CRC), which manages China's network, said 170 of its bullet trains will be used for express delivery between November 11 and 20, stopping at 505 cities, to answer the growing demand for logistics services following massive purchases by consumers on Singles Day. Alibaba's retail platform, Tmall, said it had received 657 million orders on November 11 worth more than CNY120 billion. An estimated 1 billion parcels will be shipped by rail, double the 2015 figure, according to the China Express Association, CRC's delivery arm.

- Starbucks plans to add over 10,000 new jobs a year in China over the next five years and more than double its store count in China to 5,000 by 2021. The world's largest coffee chain is also building a 30,000 sq ft premium coffee house in Shanghai, described as "the second Disneyland". Starbucks opened its first store in China in 1999.

STOCK MARKETS

Chinese investors to direct CNY200 billion to HK bourse

Capital inflows by mainland Chinese investors into the Hong Kong stock market are expected to hit CNY200 billion next year and account for almost 20% of the estimated annual equity turnover in the city, analysts from UBS Securities said. "The biggest opportunity for the Hong Kong bourse next year will be the southbound money flows from mainland China," said Lu Wenjie, Market Strategist for UBS Securities. The total size of the southbound flows might have reached CNY150 billion to CNY160 billion this year, according to UBS' estimates. In 2015, Hong Kong overtook New York as the world's biggest IPO market, with the amount of funds raised through IPOs reaching HKD261.3 billion. Money from mainland buyers accounted for 12% to 13% of Hong Kong's total equity turnover so far this year, up significantly from the average 9% in 2015 and 5% in 2014, Lu said. That ratio will further increase next year to 17% to 18%, he said. One big driver of the anticipated surge in southbound flows is the stock trading links, including the existing Shanghai-Hong Kong Stock Connect and the upcoming Shenzhen-Hong Kong Stock Connect, which is scheduled to launch later this month, the South China Morning Post reports.

- Connectivity testing and market rehearsals to verify the technical readiness for the soon-to-be-launched stock trading link between Shenzhen and Hong Kong were completed. The official rollout is projected to come in mid-November, nearly two years after the milestone launch of a link with Shanghai. Some 144 Hong Kong-based brokerage firms reportedly joined the northbound trading market rehearsal, 11 more than the current number of participants in the Shanghai-Hong Kong Stock Connect, while 97 mainland brokers participated in the southbound trading rehearsal.
- The Shenzhen Stock Exchange (SSE) said it has suspended the share trading accounts of units under China Evergrande Group for "abnormal trading behavior". Evergrande and its affiliated companies have been snapping up publicly traded stocks of other companies on the secondary market. This short term trading activity, including Evergrande's accumulation of a bigger stake in rival Vanke, were defined as "abnormal" and called out by the regulator.

TRAVEL

HNA subsidiary invests in satcom supplier

HNA Group's subsidiary Beijing Shareco Technologies Co agreed to make an equity investment of CNY2.8 billion in satellite-based communications provider Global Eagle Entertainment (GEE), and form a new joint venture that would provide in-flight connectivity hardware and entertainment services on all HNA-owned airlines. "The transaction will also help GEE become the world's largest in-flight entertainment and connectivity supplier," Shareco Chairman Jason Sun said. The global market for in-flight entertainment and connectivity hardware, services and content is forecast to reach USD9.82 billion by 2024 from an estimated USD3.13 billion last year, according to a report in May by Grand View Research. Shareco, listed on the National Equities Exchange and Quotations (NEEQ) market, said it plans to initially acquire newly-issued common shares of GEE for USD103 million at USD11.00 per share, comprising a 9.9% stake in the Los Angeles-based company. Following the establishment of their joint venture, Shareco will then increase its total interest up to 34.9% of GEE's total outstanding shares through a combination of primary and secondary share purchases to become the largest shareholder. Their deal marks the first time a NEEQ-listed company has invested in a U.S. public company, as well as represents the largest cross-border investment ever done by any NEEQ-listed company, according to Wind Information.

- China is building the second railway connecting Tibet with the rest of the country, from Chengdu to Lhasa with 1,838 kilometers of track. The whole project will cost about CNY216 billion and is expected to be completed in 2025, five years earlier than planned. The new line will reduce travel time from Chengdu to Lhasa to about 13 hours. It takes up to three days to drive from Chengdu to Lhasa. The other railway connecting to Tibet, the Qinghai-Tibet railway, takes 21 hours from Qinghai to Lhasa.
- Shanghai Disneyland is expanding with a new themed area, the seventh at the park, now under construction. Toy Story Land, based on the movie Toy Story, is expected to open in 2018. The new area is the Shanghai park's first expansion project since it opened earlier this year. "We couldn't be more pleased with Shanghai Disneyland's first four months of operation," said Bob Chapek, Chairman of Walt Disney Parks and Resorts.

VIP VISITS

China to deepen cooperation with new British government

China is willing to deepen cooperation with the new British government and continue to enhance the partnership, said Chinese Vice Premier Ma Kai. He made the remarks when co-chairing the eighth China-Britain Economic and Financial Dialogue with British Chancellor of the Exchequer Philip Hammond. This year is the start of the "Golden era," in bilateral relations and next year marks the 45th anniversary of the establishment of bilateral ties.

- Twenty-one agreements were signed between China and Russia, including on high-speed railways, civil nuclear power technologies, energy projects and linking China's Belt and Road Initiative with the Russia-dominated Eurasian Economic Union. The agreements were signed during Premier Li Keqiang's visit to St. Petersburg.

ONE-LINE NEWS

- The National People's Congress (NPC) Standing Committee adopted a cyber security law to safeguard sovereignty in cyber space, national security and the rights of citizens. The government will take measures to "monitor, defend and handle cyber security risks and threats originating from within the country or overseas sources, protecting key information infrastructure from attack, intrusion, disturbance and damage," the law states.
- President Xi Jinping congratulated Donald Trump on becoming President-elect of the United States, and said he hoped they could work together to boost China-U.S. relations for the benefit of people around the world. Xi said China and the U.S. had a special responsibility to maintain world peace and boost global prosperity.
- Courts in Tianjin sent 49 people to prison – 24 company managers and staff, and 25 government officials – for crimes that led to a warehouse blast which killed at least 165 people on August 12, 2015. The blasts also damaged 304 buildings, 12,428 cars and 7,533 containers. Yu Xuewei, Ruihai's Chairman, was found guilty of bribing port officials with CNY157,500 to obtain a certificate to handle hazardous chemicals.
- Zhang Lijun, Vice Minister of Environmental Protection from 2008 to 2013, has been sentenced by the Beijing Second Intermediate People's Court to four years in prison for taking CNY2.4 million in bribes. He was also fined CNY500,000.
- China's Vice Minister of Public Security Meng Hongwei has been appointed President of Interpol for a four-year term during the international police organization's 85th members' meeting in Indonesia. Interpol, which was founded in 1914, has 190 members, making it the second-largest international organization after the United Nations. Its headquarters are in Lyon, France.
- Yan Yongmin, former Chairman of Tonghua Golden Horse Pharmaceutical Group, who was on the list of China's 100 most-wanted fugitives abroad, has been returned to China after 15 years on the run in New Zealand and Australia. He stands accused of fraud and embezzlement.
- Shares in Beijing Enterprises (BJE), which has the exclusive right to distribute natural gas in Beijing, plunged as much as 8.6% after it announced plans to buy a minority stake in a Russian oil and gas producer for USD1.1 billion. BJE has also agreed to buy 20% of Verkhnechonskneftegaz, a subsidiary of Russia's biggest oil producer Rosneft.

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