法兰德斯中国商会 FCCC VCKK

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

Newsletter
24 October 2017

FCCC/EUCBA ACTIVITIES

The 12th EU-China Business and Technology Cooperation Fair – 24-31 October 2017 – Chengdu – Qingdao

JOIN THE FLANDERS-CHINA CHAMBER OF COMMERCE TO QINGDAO

The Flanders-China Chamber of Commerce will be represented at the Fair in Qingdao by Gwenn Sonck, Executive Director.

As an important platform for building ever closer relationship between 27 EU member states and China, the 12 th 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 24 till 27 October, 2017 and the second phase in Qingdao from 29 to 31 October, 2017.

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.

The EU-China Business Association (EUCBA) and the Flanders-China Chamber of Commerce (FCCC) are partners of the 12th EU-China Business and Technology Cooperation Fair.

Cooperation Fair China Tour 2017

Chengdu – Qingdao, 24-31 Oct., 2017

- One of the Largest Platforms for Investment, Trade and Technological Cooperation between the European Union and China
- Meet with Over 30 Most Competitive Clusters in China
- Matchmaking with over 1,000 Chinese Enterprises
- Learn the Favorable Policies for European Entrepreneurs to Start up Business in China

Chengdu, 24-27 Oct., 2017

- Centre of West China, Hometown to Giant Pandas
- Initial Station of Chengdu-Europe Express Railway Lodz, Poland
- Forbes listed Chengdu as one of “The Next Decade’s Fastest Growing Cities Globally”
- Chengdu Shuangliu International Airport: Ranked 1st in Mid & West China Direct, Flights to Amsterdam, London, Paris, Frankfurt, Moscow, etc.
- 14 Consulates General settled in Chengdu
- Leading Industries: ICT, Environment, Renewable Energy, New Materials, Life Sciences, Bio-Pharmaceuticals, Aviation, Modern Agriculture

Link to the Chengdu agenda.

Qingdao, 29-31 Oct., 2017

- Intersection of Two Silk Roads both through the Continent and over the Sea
- 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
- EU Is Now the TOP 1 Trading Partner for Qingdao
- Leading Industries: Maritime Equipment, Maritime Bio-Pharmaceuticals, Renewable Energy, New Materials, Maritime Environment, ICT, Home Appliances, Rolling Stock.

Link to the Qingdao agenda.

Official website: http://www.eu-china.org.cn/about.html

To register for the Chengdu or Qingdao program, follow this link.

Seminar – Negotiating with the Chinese: Cultural Roots & Practical Recommendations – 14 November 2017 – Ghent

"Building a win-win partnership through the art of negotiation"

The seminar on 'Negotiating with the Chinese: Cultural Roots & Practical Recommendations' will take place in **Ghent at 14h00 on Tuesday 14 November 2017.** This seminar is organised by the Flanders-China Chamber of Commerce and the Cheung Kong Graduate School of Business.

Mr Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the Cheung Kong Graduate School of Business will be the keynote speaker.

This seminar offers guidance to business leaders on how to leverage cultural differences, complexity, uncertainty, and conflicts during the negotiation process with their Chinese partners. It delivers direct impact on a company's bottom line to support individuals who are doing business with a fast-changing China.

Attendees will gain a comparative understanding of the practical Chinese and Western approaches to negotiation as well as sharpen their own negotiation skills through learning from multiple case studies and real-life contexts. Furthermore, they will identify the cultural roots behind business scenarios, which will provide them with the knowledge to reshape their strategies and tactics. The attending business leaders will also learn to optimize their approach to a win-win value creation through negotiating with the Chinese to achieve a sustainable partnership.

Programme
13:00 Registration
14:00-14:15 Opening Remarks by Ms Gwenn Sonck, FCCC Executive Director
14:15-15:00 China vs West: different cultural negotiating models
15:00-15:15 Break
15:15-16:00 Chinese cultural roots and elements to shape the negotiating skills
16:00-16:15 Break
16:15-17:00 Strategies that lead you to a better negotiation outcome
17:00-17:15 Break
17:15-17:40 Group discussion
17:40-18:00 Networking

If you are interested in attending this event, please register online HERE

Practical information:
When: 2 pm – 6 pm, Tuesday, 14 November 2017
Where: Zebrastraat 32/001 - 9000 Ghent, Belgium
Participation fee: for members: € 185 (excl. VAT), non-members: € 225 (excl. VAT)

Contact
Ms. Lijuan Yu - CKGSB lijuanyu-pt@ckgsb.edu.cn
FCCC info@flanders-china.be

About the speaker

Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the Cheung Kong Graduate School of Business

Bo is currently the Assistant Dean & Chief Representative for Europe at Cheung Kong Graduate School of Business (CKGSB), a top business school with more than 10,000 chairman/CEO level alumni in China. Bo had an over-20-year successful business career in Global Business Development, Innovation, Strategy, Supply Chain Management, M&A, etc. He served as the senior executive at the headquarters of many Fortune 500 companies such as Monsanto, Cargill, Pfizer, Wrigley, and Mars. He is also a well-sought conference speaker.

Combining his extensive business experiences and in-depth knowledge, Bo has been teaching EMBA/MBA at some of the world's most prestigious business schools such as INSEAD, Esade, MIT, New York University, Hong Kong University of Science and Technology, Technology University of Munich, Tsinghua University, CKGSB, Zhejiang University, Sun Yat-Sen University, Shanghai Jiaotong University and Taiwan's National Chengchi University etc. In addition, Bo also offers advice to Chairmen and CEOs. He is also a frequent speaker at renowned international conferences, forums, TV media and annual corporate meetings.

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2018

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

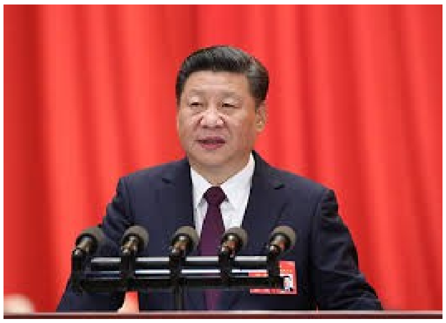
The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organisation registered in Belgium.

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

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

19th COMMUNIST PARTY CONGRESS

Xi Jinping declares the start of a new era



The Chinese Communist Party is holding its **19th National Congress**. On October 18, General Secretary Xi Jinping delivered a landmark speech to the 2,280 delegates assembled in the Great Hall of the People in Beijing that lasted for three and a half hours. He gave an overview of his first five-year term in office and the country's **reform and development planned for the next five years** and beyond. A new era to create a modern socialist country is starting, he declared, laying out a sweeping vision to transform China into a strong global power.

"Right now both China and the world are in the midst of **profound and complex changes**. China is still in an important period of strategic opportunity for development. The prospects are bright, but the challenges are severe," he told the delegates. "The great rejuvenation of the Chinese nation is no walk in the park or mere drumbeating and gong-clanging. The whole party must be prepared to make ever more difficult and harder efforts," he said.

The principal contradiction facing Chinese society now is the contradiction between **unbalanced and inadequate development** and the people's ever-growing needs for a better life. "While China's overall productive forces have significantly improved and in many areas our production capacity leads the world, our problem is that our development is unbalanced and inadequate," he said. Previously, the principal contradiction was described as one between "the ever-growing material and cultural needs of the people and backward social production." The country is seeking to move from high-speed to high-quality growth, he added.

Xi pledged that China would **continue to open up**, make state-owned enterprises bigger and stronger, deepen financial reforms and fend off systemic financial risks. "Development remains the foundation and the key to all the problems China faces," he said. He also raised the need for wealth distribution, environmental protection and poverty reduction, identifying the widening income gap as one of the grave issues that had not been adequately addressed.

Xi again promised **greater market access to foreign investors** to counter complaints from Washington and Brussels about Beijing's protectionism. He said China would significantly lower the threshold for entrance to China's markets, protect the legal interests of foreign businesses in China, and treat locally registered companies in an equal and fair way. "Opening leads to progress while closing only leads to backwardness. China won't close its opened door – the door will only be opened wider and wider," Xi Jinping said. However, pledges to business were only a small part of his speech, which focused on making China a "great modern socialist country".

Fighting poverty was crucial for China to become a moderately prosperous society, Xi said. Addressing concerns over rising property prices, he said houses were for people to live in, not for speculation.

Party General Secretary Xi Jinping announced that a leading group for the comprehensive **rule by law** would be set up, that the anti-corruption struggle would continue and that there would be "zero tolerance" of graft. No one would be able to put themselves above the law, he said.

The key theories and thoughts of Xi Jinping are to be added to the Party's charter as **"Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era"**. It will be the guiding ideology for the country's development in the coming years.

China has set 2020 as the target year to finish building a moderately prosperous society, just one year before the Communist Party celebrates its 100th anniversary. Two key components of the 2020 goal are to eradicate poverty nationwide, and to double the country's GDP and per capita income from 2010 levels. By 2049 – the centenary of the founding of the People's Republic of China – it should become a "**modern socialist country** that is prosperous, strong, democratic, culturally advanced and harmonious" and with a pioneering global influence.

MACRO-ECONOMY

Strong GDP growth dragged down by property and construction

China posted relatively solid economic growth of **6.8% in the third quarter**, driven by a stronger services industry, although there were signs of weakness in real estate and construction as property cooling measures start to bite. China's **property sector grew 3.9%** in the quarter from a year earlier, decelerating from 6.2% in the second quarter and the slowest pace in nearly two years, the National Bureau of Statistics (NBS) said.

Growth in **construction activity slowed** from 5.4% in the second quarter **to 4%**, the weakest expansion since the fourth quarter of 2000. Property and construction together account for 13.3% of the economy, with property alone directly impacting 40 other industries. Softening in those sectors appeared to be the main drag on the otherwise fairly resilient Chinese economy. Third-quarter growth eased only slightly to 6.8% from 6.9% in the previous quarter, as had been widely expected.

Analysts have long predicted a slowdown in the property sector and construction after city governments began rolling out measures from late last year to cool soaring home prices and deter speculators. Property sales dropped for the first time in more than 2½ years in September and housing starts slowed sharply.

China had posted forecast-beating growth in the first half of the year, led by a sharp turnaround in the long ailing industrial sector, which accounts for a third of the economy. A construction boom – fueled by the housing frenzy and government infrastructure spending – has spurred demand and prices of building materials, with the resulting return of factory gate inflation boosting earnings for China's heavily indebted heavy industry. But industrial growth slowed to 6.3% in the third quarter, from 6.6% in the previous period and there is uncertainty about how "smokestack" industries will fare over the coming months as China implements drastic measures to reduce winter air pollution, the South China Morning Post reports.

Data also showed that total sales of consumer goods rose 10.4% year-on-year to CNY26.32 trillion in the first three quarters. The pace was unchanged compared with the same period of last year. The official Purchasing Managers' Index (PMI) rose to 52.4, the highest this year. Growth of imports and exports both accelerated. China's average per capita disposable income grew 9.1% year-on-year to CNY19,342 in the first three quarters, Fixed-asset investment expanded 7.5% in the first nine months, marking the slowest rate of growth since a 6.3% reading in December 1999.

FOREIGN INVESTMENT

ODI drops, but improvement expected

China's **non-financial outbound direct investment (ODI) dropped 41.9%** year-on-year in the first three quarters. Chinese companies invested USD78 billion in 5,159 enterprises from 154 countries and regions during the January-September period, according to the Ministry of Commerce (MOFCOM). The investment was mainly channeled into leasing and commercial services, manufacturing, wholesale and retail, and the information technology sector. Outbound investment to countries involved in the Belt and Road Initiative stood at USD9.6 billion during the nine-month period, accounting for 12.3% of total ODI, up 4 percentage points from the same period in 2016. No new projects were reported in property, sports and entertainment, where the government has been seeking to limit investment.

China's ODI has seen rapid growth in recent years. However, noting an "irrational tendency" in outbound investment, since last year **Chinese authorities have set stricter rules** and advised companies to make investment decisions more carefully. In August the Chinese government said that overseas investment in areas including real estate, hotels, cinemas, and entertainment would be limited, while investments in sectors such as gambling would be banned. Investment conducive to the country's industrial upgrading would still be encouraged, the Shanghai Daily reports.

But a new rise in ODI is expected. China's **capital outflow finally stopped** in September after a 22-month flight. The People's Bank of China (PBOC) bought a net CNY850 million of foreign exchange in September, marking the first net increase since October 2015. In over-the-counter foreign exchange transactions between banks and their clients, companies and individuals sold more to banks in China than they bought from the banks last month, according the State Administration of Foreign Exchange (SAFE).

President Xi Jinping included the goal of **building world-class enterprises** in his keynote speech to the 19th Communist Party Congress, and Xiao Yaqing, Director of the State-owned Assets Supervision and Administration Commission (SASAC) said state-owned enterprises (SOEs) must have a leading role in investments abroad. SASAC oversees 98 central government-owned enterprises with a total CNY54 trillion in assets. Xiao highlighted the prospect of cooperation with private and foreign companies in tapping international markets, the South China Morning Post reports.

CHINA NEWS ROUND-UP

Shanghai's pilot FTZ to become free port

Shanghai's Party Secretary Han Zheng confirmed plans to turn the city's pilot free trade zone (FTZ) into a **world-class free port**. The port has entered the "planning stage" and needs to get the green light from the central authorities before moving forward, he added. The announcement of the plan to deepen reform and further open up the economy, has sparked a boom in shares that are port and transportation-related or with Shanghai in their names.

Shanghai Waigaoqiao Free Trade Zone Group Co and Shanghai International Port Group Co were among the stocks that jumped by the daily limit of 10% on October 20. In May, Beijing approved a plan to comprehensively expand the opening-up of the China (Shanghai) Pilot Free Trade Zone, which, according to Han, marked the '3.0 version' of the FTZ since its debut in 2013 and first expansion two years ago. "**System innovation** is the core task of the zone," he said.

Experts said import cargo controls would be further relaxed and customs clearance streamlined in accordance with international practice. "The prospective free trade port is likely to test the waters for trade facilitation measures and provide policy support to the high-tech sector," according to Sun Yuanxin, Deputy Director of the Research Institute for the Shanghai FTZ at the Shanghai University of Finance and Economics. "It will take about three to four years to redesign a comprehensive set of rules and revise related regulations," said Zhu Min, Deputy Director of the Shanghai Municipal Development and Reform Commission.

Shanghai's FTZ has become a growth engine, contributing to a **quarter of the city's economic output** this year, according to Weng Zuliang, Party Secretary of Shanghai's Pudong New Area. A total of 49,000 enterprises, 20% of with foreign investment, had been established in the zone in the first eight months of 2017, exceeding the number of companies registered in the previous two decades. Earlier this year, the Ministry of Commerce (MOFCOM) announced the launch of an additional **seven free trade zones** to accelerate the nation's opening-up and boost the Belt and Road Initiative, taking the number of FTZs to 11, the China Daily reports. Shanghai also plans to accelerate the development of a **scientific innovation center** with "global influence," Shanghai Mayor Ying Yong told reporters.

Foreign banks to be allowed bigger stake in Chinese financial institutions

China will accelerate the opening up of its banking sector to foreign investors and consider steps to **increase the upper limit of shareholding** in Chinese financial institutions by foreign banks, Guo Shuqing, Chairman of the China Banking Regulatory Commission (CBRC) said. Guo is expected to be appointed Governor of the People's Bank of China (PBOC), replacing Zhou Xiaochuan, who has reached the retirement age.

The **market share of foreign banks** in China by assets has **declined** during the last five years, which is not beneficial for promoting competition and structural optimization in the banking sector, Guo said. By the end of 2016, the total assets of foreign banks in China had reached CNY2.93 trillion, accounting for 1.29% of the total assets of financial institutions in the Chinese banking sector, falling from 1.82% as of end-2012, according to the CBRC. "We will give more space to foreign banks in the form of their establishment, the percentage of their shareholding and their scope of business," Guo said.

Since December 2003, the CBRC has allowed a single offshore financial institution to own up to 20% of a Chinese financial institution, and a maximum combined stake of several foreign banks of 25%. As the Chinese economy adjusts to a "new normal", international financial institutions are facing a series of external challenges – from economic restructuring to low interest margins and digitization.

Huawei seen as the most authentic brand in China

Huawei Technologies, the world's **largest telecom equipment supplier**, is the most authentic brand in China, according to a report by New York-based communications agency **Cohn&Wolfe**.

The privately held maker of networking systems and smartphones climbed from fourth last year to unseat the Bank of China (BOC) at the top of the China rankings in Cohn&Wolfe's fifth **Authentic Brands Study**, an annual consumer survey in 15 markets around the world on the role of authenticity in business. It marks a big leap for Shenzhen-based Huawei in terms of raising the domestic and global awareness for its brand.

It recently placed 49th in this year's BrandZ study of the most valuable global brands, an annual survey conducted by British multinational advertising company WPP and market research firm Kantar Millward Brown. Matt Stafford, Asia-Pacific President at Cohn&Wolfe, said that the company's own study showed "consumers value authenticity and will reward brands that work on being **reliable, respectful and real** – the three main drivers of brand authenticity". In China, 68% of consumers indicated higher purchase intent with brands they perceive to be authentic. The global average is 62%, according to Cohn&Wolfe.

It said consumers in Asian countries displayed the most positive sentiments towards brand authenticity, with 43% of consumers in China and 37% in India perceiving brands to be "open and honest", compared to a global average of 22%.

Huawei, which recorded CNY521.6 billion in revenue last year, is best known to consumers through its range of smartphones, led by its flagship Mate and popular Honor models. The company recently captured the second spot for global smartphone shipments for the first time in June and July, moving ahead of Apple, according to Counterpoint.

The other companies that made it to the top 10 most authentic brands in China were personal computer maker HP, Bank of China, Intel, Haier, Visa, Tong Ren Tang, Siemens, Lenovo Group and Gree Electric. The Cohn&Wolfe survey's **global top 10** consist of Amazon.com, Apple, Microsoft, Google, PayPal, Adidas, Intel, Lego, BMW and HP, the South China Morning Post reports.

Shanghai to attract more foreign-funded R&D centers

Shanghai authorities have rolled out new measures to woo foreign-funded research and development (R&D) centers to the city as part of efforts to transform it into a **global technological innovation hub** by 2030. According to the 15-article policy, recently approved by the Shanghai municipal government, high-level foreign R&D centers in Shanghai will be granted the same privileges as regional headquarters of multinational companies. "That is to say, such R&D centers will obtain policy and financial support from the local government and enjoy more simplified services in terms of entry and exit procedures, talent introduction and customs clearance," Shang Yuying, Director of the Shanghai Municipal Commission of Commerce, told a media briefing.

"It is the first time that foreign R&D centers are getting such policy support in China. We hope to attract more global R&D centers of multinational companies that are at the highest level within the company and carry the function of allocating R&D resources around the globe," she said.

Currently there are **416 foreign R&D centers in Shanghai**, which accounts for one-fourth of the total in China. About 20 of them invest over USD10 million annually and have more than 40,000 Chinese R&D staff, according to the Commission. Several innovative global products have originated from these centers. According to Shang, 22 products from the Shanghai-based China R&D Center of U.S.-based medical device manufacturer Medtronic have entered the market since its establishment five years ago, with 17 of them targeting mainly foreign markets.

The new measures also include preferential policies for foreign employees of these centers to have easier access to services and less processing time to obtain work permits. "Qualified expats will be given multiple entry visas valid for five to 10 years and provided with more sophisticated social services, including medical, health services and children's schooling," said Yang Chao, Deputy Director of the Commission, as reported by the China Daily.

Beijing may relax some foreign investment caps during Trump's November visit

China could loosen foreign ownership caps for joint ventures in certain industry sectors where Chinese companies already possess a competitive edge as part of a wider opening up of the world's second-largest economy during U.S. President Donald Trump's visit to Beijing next month, experts say.

"This is an area that the U.S. and others have raised with China again and again, and it's possible that China may be open to concessions" when Trump visits, **Scott Kennedy**, a China expert at the Washington-based Center for Security and International Studies, said at an event organized by the Council on Foreign Relations. Foreign ownership caps in China vary across different industries, with some at 49%, 50% or 20%.

U.S. President Donald Trump will visit Beijing on November 8 and 9. His administration has been pressing China to further open market access and provide reciprocal treatment to U.S. companies in China. The world's two largest economies appeared on the verge of a trade war in July after failing to reach agreement in Washington during the first round of the U.S.-China Comprehensive Economic Dialogue. However, investment caps on some types of foreign securities companies appear to have been removed, and the National Development and Reform Commission (NDRC) also has decided to lift restrictions on foreign investment in the transport sector and in unconventional oil and gas production.

Government researchers also said that China should do more to protect **intellectual property rights** and create a **level playing field** for foreign companies to lure investment from overseas in the coming years. Speaking at a forum organized by a state think tank in Beijing, they said the authorities were aware that long-term capital inflows had stagnated and that there were more and more complaints from the foreign business community about difficulties they had encountered in China.

Despite promises from Beijing to further open up this year, the Organization for Economic Cooperation and Development (OECD) lists China as one of the most restricted markets globally. China still applies restrictions and bans on foreign investment across 65 sectors.

Tightened checks dampen M&A deals

China's outbound merger and acquisition (M&A) activities cooled off in the third quarter as tightened investment scrutiny from Beijing and Washington continue to take effect. Chinese companies recorded outbound M&A deals worth US$95.9 billion in the first three quarters of 2017, **slumping 35%** from the same period last year, according to a Mergermarket report.

China stepped up controls over capital outflow last November amid a buying spree of overseas assets among Chinese firms, who overtook their American counterparts and became **the world's top buyer of global assets** last year. Beijing has cracked down on overseas investments by aggressive deal making conglomerates, including Anbang Insurance Group, Dalian Wanda Group, Fosun International, and HNA Group.

The controls have led to a rebound in the country's **foreign exchange reserves** to an 11-month high of USD3.1 trillion at the end of September, after falling below the psychologically significant USD3 trillion level in February. Apart from Beijing's crackdown, stricter inspection of Chinese investments by the U.S. government has also dampened transactions, the report said.

Zhong Shan, China's Minister of Commerce, also confirmed that the Chinese government **still encourages its enterprises to go global**, after recent regulatory changes sparked concerns over the potential end of China's acquisition binge abroad. "There have been some structural changes in Chinese firms' foreign investments, including a shift to buying more hi-tech and capital-intensive companies in developed economies," he said. Chinese companies' total overseas assets have grown to USD6 trillion to date, Zhong said. China's CNY2.1 trillion national pension fund is also seeking more overseas investment opportunities to diversify its risks, Chairman Lou Jiwei told the South China Morning Post. The overseas portfolio of the fund, mainly stocks and bonds, only accounted for 10% of the total, while the government cap was set at 20%.

Chinese banks demanding proof that consumer loans are not being used to buy property

China's commercial banks have begun asking clients to submit "proof of use" for consumer loans, as the government tightens regulations on concern that such loans are being **used to buy property** and are helping to fuel a property bubble.

Customers of China Merchants Bank (CMB) with loans upwards of CNY10,000 are being requested by text messages to submit proof of use. Media reports said customers of some banks are required to prove that loans were not being used inappropriately. Household short-term loans soared in the third quarter by CNY1.53 trillion, almost three times more than a year ago, according to the People's Bank of China (PBOC).

"I am afraid a considerable part of consumer loans has flown into the property market," said ING Economist Iris Pang. "If you look at the structure of the consumer loans on the mainland, you will find it strange because a lot of them have extremely long loan tenures, like 10 to 20 years. What makes you need 20 years to pay back a consumer loan that enables you to buy a television? It is very likely that the money is spent on houses," she said.

The China Banking Regulatory Commission (CBRC) announced it would investigate the fast build up of loans in the household sector and said last month that China should "learn from the subprime mortgage crisis in the U.S.".

China green lights asset-backed securities linked to rental property

A decision by the Shenzhen Stock Exchange last week enabling one rental apartment operator to issue **asset-backed securities** may reflect a turning point in the industry's push for financial innovation, including the eventual establishment of real estate investment trusts (reits), according to experts. China Young Professional Apartments (CYPA), a Beijing-based condominium operator catering to urban professionals in first-tier cities, won approval to issue CNY270 million worth of securities backed by its rental flats.

China's securities regulator over the past two years has approved a number of asset-backed securities (ABS), giving developers and asset-owners an alternative financing channel. However the asset approval granted to CYPA is the first to be backed by **rental properties** for public distribution. Mofang, a Shanghai-based rental apartment company backed by Warburg Pincus, in January issued asset-backed securities through a private placement.

"The issuance is a boost for China's leasing market, which without reits has long operated in an asset-heavy model," said Chen Baolin, an asset-backed securities analyst with Tianfeng Securities. "This also suggests the supportive attitude of the regulator, and will encourage more operators to prepare ABS issuance." Jin Wei, Investment Banker with Huafu Securities, said the CYPA deal is largely symbolic. "The real big deals will be from developers, which have much bigger inventory."

After years of surging residential prices, the yields on urban rental properties in major Chinese cities are relatively small compared to world peers. Yields on rentals in first-tier cities average less than 2%, according to Savills. As a result, many property investors in China look for asset appreciation instead of income through long term management, the South China Morning Post reports. The China Securities Regulatory Commission (CSRC) is drafting rules for China's first reit that will be sold to retail investors.

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- SMEs: €385
- Large enterprises: €975

Contact

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