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Top 10 cities for business in China

Back in the cold: The north-east

China’s poorest village booming thanks to rural urbanisation

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China non-manufacturing PMI rises in December

China 2014 retail sales up 12%

Policy design to propel China’s SOE reforms

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China’s December PPI down 3.3%

China’s manufacturing activity rebounds in January

China sets industrial output target at 8% for 2015

And now for the Eurasian dream

World Economic Forum: China Slowdown Brings Strategic Shift

China’s Premier Meets Top Business Leaders in Davos

U.S., China stand out amid gloom in Davos

United States: Remarks at the National Center for Asia-Pacific Economic Cooperation luncheon

China Makes Headway in Push for Global Yuan

Chuangying Times: Will a “Silver Age” for Sino-Foreign Trade Secure the Future of the Chinese Market?

China will spend up free trade deals this year

Healthy growth for foreign trade figures

Market, not government, causes China’s trade surplus

China’s foreign service trade deficit grows

China turns to real, nuclear to energize exports

China’s evolutionary road

Investment law must address M&A issues

D.C. Real Estate Continues Steady Decline among Foreign Investors as N.Y.
Deutsche London as Top Global City: China Expected to Become Top U.S.
Investor

China’s outbound investment set to pass $500 billion

Ambassador looks for action on reforms

China’s “new normal” of investment brings new opportunity for win-win

China sees 55% rise in M&A
China rules out large fiscal investments to boost economy

China will not inject large amount of newly added fiscal investment to stimulate the economy in 2015, a senior official of the National Development and Reform Commission said on Thursday. China has yet to have a specific number for the total investment in infrastructure projects in 2015, Luo Guosan, deputy director general of the investment department of the NDRC, told a press conference on Thursday. Bloomberg reported on Tuesday that China is accelerating 300 infrastructure projects valued at 7 trillion yuan ($1.1 trillion) this year as policy makers seek to boost growth that's in danger of slipping below 7 percent. The NDRC said in December the nation will boost investment in seven major sectors, including oil and gas pipelines, health, clean energy, transportation and mining. Luo said the seven major sectors have clearly indicated China's direction for future investment but it's difficult to give a number for this year's investment. Constructions of some projects have started, while some have just started preliminary work and it is hard to calculate the total investment, said Luo. "It is quite different to the 4 trillion yuan stimulus package in 2008," said Luo. "The critical point is, we won't use large amount of newly added fiscal investment to stimulus economy, but instead guide social capitals participation in investment, that's a very important policy direction," said Luo.

Source: Lan Lan: China rules out large fiscal investments to boost economy, China Daily, 2015-01-8

Subdued price levels point to more policy easing

BEIJING - China's consumer inflation remained weak in December while price declines at the factory gate level continued to deepen, suggesting weakness in the world's second-largest economy but will create space for policy makers to take easing measures. Growth in the consumer price index (CPI), the main gauge of inflation, rebounded to 1.5 percent in December from November's 1.4 percent, its slowest increase since November 2009, the National Bureau of Statistics (NBS) said Friday. On a monthly basis, December's CPI edged up 0.3 percent against the previous month, reversing the downward trend experienced since September. Food prices, which account for about one-third of the CPI calculation's weighting, rose 2.9 percent from a year ago in December, compared to 2.3 percent the previous month. Growth in non-food prices, however, fell to a 56-month low of 0.8 percent, led by falling transportation and housing costs, Chang said. China's consumer prices grew 2 percent in 2014 from one year earlier, well below the government's 3.5 percent target set for the year. It was also below the 2.6 percent growth registered in 2013.

Producer price index (PPI) slumped 3.3 percent in December from one year earlier, the sharpest fall in more than two years, and the decline deepened from November's 2.7 percent fall. Tumbling oil and other commodity prices have extended the run of producer-price declines to a record 34 months. PPI fell 1.9 percent year on year in 2014.

The easing inflationary pressure will give the central bank more room to initiate measures to support growth. In November, the central bank cut benchmark interest rates for the first time since the summer of 2012. Analysts are divided over whether more rate cuts would follow in the coming months as the 2014's growth figures are likely to register its slowest pace in more than a decade. The Chinese government should use both structural reform measures and monetary policy tools to head off the risk of deflation, especially when domestic demand remains weak and commodity and energy prices continue to fall, Liu Ligang wrote in a report to clients.

Source: Xinhua: Subdued price levels point to more policy easing, 2015-01-9

Modest rise in inflation gives China room to act: Consumer prices increase slightly for month in a sign of sluggish growth

"Tepid domestic demand and falling commodity and energy prices are expected to bring consumer price index inflation down to 1.5 percent while producer prices decline further," Tao Wang, an economist at UBS, wrote Tuesday in a research note on economic forecasts for 2015. "We believe rising deflationary pressure will spur the central bank to cut benchmark lending rates."

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Source: Xinhua: Subdued price levels point to more policy easing, 2015-01-9
China's president, Xi Jinping, has said that the world should get used to this "new normal" of China growing at a slower but more sustainable pace. Policy makers hope to curb China's reliance on credit-fueled investment and government spending, replacing them with consumer demand as a main driver of growth.

"China's central bank appears to be reluctant to cut reserve requirement ratio to counter falling prices and economic slowdown," Li-Gang Liu, the chief China economist at the Australian and New Zealand Banking Group, wrote Friday in a research note.


**Rising consumption powers economy**

Consumption was the largest engine of the economy in 2014 with an estimated annual increase of 12 percent, a senior official said at the first weekly State Council media briefing. Vice-Minister of Commerce Zhong Shan said that consumer spending contributed 48.5 percent of GDP growth in the first three quarters of 2014. Total retail sales of social consumer goods rose about 12 percent to nearly 27 trillion yuan ($4.4 trillion) last year, with Internet-based shopping surging to around 50 percent, Zhong said at the briefing. “Great development potential can be tapped as consumption tends to be more personalized and diversified. This will present huge business opportunities to domestic and foreign investors,” he said.

With strong public demand, catering industry revenues expanded by more than 10 percent, while spending on communication equipment also witnessed robust momentum with a nearly 30 percent rise. Zhong said the government has promoted domestic trade and distribution, especially in senior care, health and home services, information, tourism, housing, green industry, education, culture and sports. “We have also beefed up infrastructural development in distribution, launched pilot public welfare wholesale agriculture markets, designated e-commerce demonstration cities and introduced e-commerce to rural areas,” he said. In a bid to further improve consumer sentiment, Zhong said the government has also cracked down on IP infringement and counterfeiting. In addition, the food safety watchdog has stepped up efforts, earmarking the distribution of 30,000 tons of over 300 different types of agricultural products to more than 400 million residents.

Source: Rising consumption powers economy, 2015-01-16
http://english.gov.cn/news/policy_briefings/2015/01/16/content_281475039965014.htm

**Focus on growth quality**

The economy will keep on a progressive course while maintaining stability in 2015, by adapting to the “new normal” of development and focusing on raising the quality of growth, said Zhu Zhixin, vice-chairman of the National Development and Reform Commission. “We will maintain economic operations within the reasonable range, place more emphasis on transforming patterns and adjusting structure and strive for breakthroughs in reform.” Further reforms will be focused on major areas, including continuing to cancel administrative approvals; deepen income distribution and increase incomes as well as improve policies and measures to stabilize foreign trade, Zhu said. “In 2015, China’s economic development is still faced with a complicated environment both at home and abroad,” he said. “We will also improve people's livelihood in 2015, through implementing more active employment policies and try to achieve more employment with better quality.” Incomes increased faster than economic growth in 2014. The national per capita disposable income in the first three quarters last year was 14,986 yuan ($2,416).

Source: Focus on growth quality, 2015-01-16
http://english.gov.cn/news/policy_briefings/2015/01/16/content_281475040002117.htm

**Outlook beats world forecast**

The Chinese economy will continue to rise steadily this year if restructuring can be implemented well to
counter mounting downward pressure. But if risks appear, the authorities will take decisive action to keep it on track, according to the vice-minister of China's top economic policymaker on Thursday. "The economy grew at about 7.4 percent last year, a hard-won result given so many unexpected uncertainties from home and abroad," said Zhu Zhixin, vice-minister of the National Development and Reform Commission, reviewing last year and evaluating prospects for 2015. He spoke at a media briefing held by the Information Office of the State Council in Beijing. Zhu said policymakers underestimated the weakness of the global recovery last year.

The World Bank recently lowered its forecast for global growth this year from 3.4 to 3 percent, and from 7.5 to 7.1 percent for China. Though he made no prediction, Zhu cited the World Bank twice in his briefing to show how China stacks up in the larger picture of the world economy. "The world economy will continue to stay in a deep adjustment period featuring geopolitical shifts, differentiation of the policies of major economies and stronger fluctuations of staple commodity prices. External uncertainties will add to the difficulties, challenges and risks for the Chinese economy in 2015," Zhu said. "Stable, sustainable and quality growth will be the main objective."

The slowdown in growth was inevitable as the economy changed gears in the restructuring effort, Zhu said, adding that it's encouraging to see some positive change last year. More than 13 million jobs were created, commodity prices grew by 2 percent—markedly lower than the 3.5 percent ceiling—and the annual average per capita disposable income grew about 8.2 percent year-on-year, faster than overall economic growth, he said. To maintain the economy within a reasonable range this year, macro policies will remain stable, micro policies will become more flexible and social policies will focus more on serving the neediest, he said. "It is unrealistic to resort to large-scale investment to stimulate an economy as large as China's. But investment, especially well-targeted investment in some key areas, such as innovation and infrastructure construction, remains a crucial tool to prevent the economy from falling out of a reasonable range," Zhu said, answering questions on whether China will save its economy with big spending. He said the economy is not entering a crisis. "As long as the economy stays within the desirable range, we must focus more on transforming industrial and economic structures in an innovation-led, environmentally friendly direction," he said.

Source: LI YANG: Outlook beats world forecast, China Daily, 2015-01-17

Factbox: China's 2014 economic figures

BEIJING - The National Bureau of Statistics unveiled a raft of economic figures for 2014 on Tuesday, highlighting the country's shift in economic structure.

Here are some key numbers available to better understand China's development last year:

-- Gross domestic product (GDP) expanded 7.4 percent year on year to 63.65 trillion yuan ($10.4 trillion), the slowest pace since 1990.

-- Consumer price index, a main gauge of inflation, rose 2 percent, below the government's target of 3.5 percent.

-- Foreign trade rose 2.3 percent to 26.43 trillion yuan, with export up 4.9 percent and import down 0.6 percent.

-- Grain output rose 0.9 percent to 607.1 million tonnes, marking the 11th consecutive year of growth.

-- In real terms, industrial value-added output rose 8.3 percent, fixed-asset investment rose 15.1 percent, while retail sales of consumer goods rose 10.9 percent.

-- Narrow money supply (M1), which covers cash in circulation plus that in current corporate deposits, rose 3.2 percent to 34.81 trillion yuan.

-- China's broad money supply (M2), which covers cash in circulation and all deposits, increased 12.2 percent to 122.84 trillion yuan by the end of last year.

-- Population on the Chinese mainland stood at 1.37 billion people by the end of 2014, up 0.52 percent.

-- Permanent urban residents reached 749.16 million, accounting for 54.77 percent of the total population.

-- By the end of 2014, 772.53 million people were employed in China, up 2.76 million, or 0.36 percent.

-- A total of 13.22 million new jobs were created in cities, beating the government target of creating 10 million jobs.

-- Per capita disposable income of all residents rose 8 percent to 20,167 yuan, with that for rural residents up 9.2
percent and 6.8 percent for urban residents.

-- The Gini coefficient, an index reflecting the rich-poor gap, stood at 0.469 in 2014, dropping for six years in a row after the index hit 0.491 in 2008.

Source: Xinhua: Factbox: China's 2014 economic figures, 2015-01-21

**China to balance growth and structural reforms**

BEIJING - Premier Li Keqiang said Monday that China would balance efforts to stabilize economic growth and boost structural reforms in 2015, as downward pressure on growth still remains. Speaking at a plenary meeting of the State Council, the premier said that China has entered a new normal development method and downward pressure would remain in the Chinese economy in 2015. "As the global economy is undergoing a deep restructuring and slow recovery, China's government will likely face heavy tasks in tackling the difficulties," Li said. He called for adhering to reform and innovation to balance the economy and adjust structure this year. The premier stressed the Q1 performance is crucial to the whole year's results, and the government shall work on making a good start this year. Research, detailed plans and timely monitoring are necessary to tackle the problems of economic expansion. Governments need to be well prepared to ensure a smooth Spring Festival rush to protect the safety of passengers, Li said. Social welfare and salaries of migrant workers shall be supervised, while food safety and fire safety shall be guaranteed, the premier added.

Source: Xinhua: China to balance growth and structural reforms, 2015-01-20

**Davos 2015: World Economic Forum (A Special Report) --- China's Balancing Act**

China faces a host of social, financial and economic challenges, but fears of a hard landing are increasingly giving way to the notion that it will be able to manage an orderly decline in its growth rate. China's real-estate market continues to swoon, leaving empty residential towers ringing many Chinese cities. Although prices are no longer dropping as rapidly as they were several months ago, property market woes are among China's biggest economic headaches given the sector's importance. Property accounts for 25% of China's gross domestic product when construction, appliances and related industries are included.

While some analysts believe the campaign's primary objective is to strengthen Mr. [Xi Jinping]'s political hand, it could pave the way for further economic reform. "Xi Jinping made good progress in consolidating power," said Bank of Tokyo-Mitsubishi UFJ researcher Cliff Tan. "This will make it easier to make progress against resistant local leaders [in 2015]." he added. Beijing made some progress on reform toward the end of 2014. Interest-rate liberalization edged ahead, an outline of a bank-deposit insurance plan emerged, and the government started to needle state-owned companies to reduce management pay, introduce more private capital and sell off some units.

China's incremental approach -- codified in the "crossing the river by feeling the stones" phrase attributed to former leader Deng Xiaoping -- has exceeded expectations, allowing the Communist Party to navigate planning inefficiencies, corruption, patronage and financial strains. Increasingly, as China grows and becomes more globally integrated, it will be in the world's economic interest as well as Beijing's that it continue to feel the right stones.

Source: Davos 2015: World Economic Forum (A Special Report) --- China's Balancing Act


**China G.D.P. expands at slowest pace in 24 years: At 7.4%, yearly growth falls short of target and adds to broader worries**

The country's gross domestic product grew 7.4 percent in 2014, adding to fears of a broader economic slowdown. As demand for exports slips and the real estate sector cools, China has been looking to consumers to help pick up the slack. But the country's slowing growth will complicate those plans. "In a slowing economy, people start to worry about their jobs, and that kind of uncertainty will affect people's consumption," said Liu Li-Gang, a China economist at ANZ bank. "Households themselves realize the economy is going through a soft
patch, and that will certainly have an impact on their appetite," said Kelvin Lau, economist at the Standard Chartered Bank. "That is why we are seeing some slowdown in retail consumption." "We will never be like my parents' generation who saved every penny and never spent any," Ms. [Chen Lu] said. "We will never go back to that anymore."

The average Chinese household saves as much as 40 percent of its income, according to China's National Bureau of Statistics. In contrast, the household savings rate in the United States is 5.2 percent and is 1.8 percent in Japan, according to recent data from the Organization for Economic Cooperation and Development. The main reason is that China just does not have the same safety net as other countries. Most Chinese have to save for retirement and health care because the country's social welfare system needs to be developed. The Chinese also save money for education.


**Growth rises by 7.4 percent in 2014**

China's economy grew by 7.4 percent in 2014, in line with market expectations and registering the weakest expansion in 24 years, the National Bureau of Statistics said on Tuesday. The figure was slightly below the government target of about 7.5 percent for the year. Authorities are striving to put the economy on a more sustainable path while tackling a housing slowdown, softening domestic demand and weak global recovery. But GDP exceeded $10 trillion for the first time last year, with a contribution of 48.2 percent, or 30.7 trillion yuan ($4.9 trillion), from the service sector, the bureau said. This sector was the largest GDP contributor for the second consecutive year, with the proportion increasing from 46.9 percent in 2013. "Economic structural rebalancing is progressing steadily," said Ma Jiantang, director of the statistics bureau. Adjustment of the economy is expected to release growth potential to offset a persistent slowdown in industry due to excess capacity. A relatively high growth rate will be maintained in 2015, Ma said. Policy fine-tuning is possible in the future to stabilize growth, he added.

The statistics bureau said the 7.4 percent year-on-year GDP growth, down from 7.7 percent in 2013, saw a contribution of 51.2 percent from spending on consumption, up from 48.2 percent in 2013. Industrial production growth slowed to 8.3 percent from 9.7 percent in 2013, while fixed-asset investment rose by 15.7 percent year-on-year, down from 19.6 percent, the slowest rate in 13 years.

Source: CHEN JIA: Growth rises by 7.4 percent in 2014, China Daily, 2015-01-21

**Full Text of Chinese Premier Li Keqiang's address at World Economic Forum annual meeting**

Davos, 21 January 2015 Professor Klaus Schwab, President Simonetta Sommaruga, Distinguished Guests, Ladies and Gentlemen, Dear Friends, It gives me great pleasure to come to Davos again after five years to attend the World Economic Forum Annual Meeting 2015. Davos is a town of peace and serenity, yet the world outside is not tranquil. We need to work together to shape the world in a new global context. I was told that Davos used to be a resort for recuperation from lung diseases, and the later discovery of Penicillin changed that. Now it is a place for people to gather and pool their wisdom for "brain-storm". Personally, I find this more than relevant, because our world also needs new forms of "Penicillin" to tackle new challenges that have emerged. Admittedly, the world today is by no means trouble-free. Regional hotspots, local conflicts and terrorist attacks continue to flare up, posing immediate threats to humanity. Global economic recovery lacks speed and momentum. Major economies are performing unevenly. Commodity prices are going through frequent fluctuations. And signs of deflation have made the situation even worse. In fact, many people are quite pessimistic about the future of the world. They believe that the guarantee of peace is weak, and the prospect of development is elusive. A philosopher once observed that we cannot solve problems by using the same kind of thinking we used when we created them. Indeed, old problems can no longer be solved by clinging to the outdated mindset of confrontation, hatred and isolation. Dialogue, consultation and cooperation must be explored to find solutions to new problems. It is important that we draw
lessons from history, and pool our collective wisdom to maximize the convergence of interests among countries. Fortunately, in time of hardship and trial, mankind have always been able to find the courage to get out of the predicament and move ahead through change and innovation.

In a world facing complex international situation, we should all work together to uphold peace and stability. This year marks the 70th anniversary of the victory of the world’s anti-Fascist war. To uphold peace and stability serves the interests of all people in the world. The world order established after World War II as well as generally recognized norms governing international relations must be maintained, not overturned. Otherwise, prosperity and development could be jeopardized. The Cold War and zero-sum mentalities must be abandoned. The "winner takes all" approach will not work. Regional hotspots and geopolitical conflicts must be resolved peacefully through political means. Terrorism, in all its manifestations, must be opposed. China remains committed to peaceful development and regional stability. And China has no intention to compete with other countries for supremacy. Peace in the world must be cherished the same as we cherish our eyes, so that the achievements and benefits of civilization, including reason and justice, will prevail. In a world of diverse civilizations, we should all seek to live in harmony. Cultural diversity, like biodiversity, is a most precious treasure endowed to us on this planet. And human society is like a garden where all human civilizations blossom. Different cultures and religions need to respect and live in harmony with each other. While maintaining the natural close ties among those with whom we see eye to eye, we also need to respect those with whom we disagree. Like the vast ocean admitting all rivers that run into it, members of the international community need to work together to expand common ground while accepting differences, and seek win-win progress through inclusive cooperation and mutual learning.

In a world facing volatile economic situation, we should all work to promote opening-up and innovation. What has happened since the outbreak of the international financial crisis seven years ago proves that to work in unity is the surest way for countries to get over the difficulties. We are all interdependent in this world. While we each have the right to adopt economic policies in line with national conditions, we need to strengthen macro-policy coordination to expand the convergence of interests and achieve common development. An European proverb says, "when the wind of change blows, some build walls, while others build windmills." We need to act along the trend of our time, firmly advance free trade, resolutely reject protectionism, and actively expand regional economic cooperation. We need to build global value chains, and seize the opportunity of a new technological revolution. While the international community agree on the importance of macro-policies to the economy, they also recognize the urgency to go ahead with structural reform. Structural reform must be carried through no matter how difficult it is, as it is an effective way to foster conditions conducive to global innovation and bring about new momentum for global development.

Ladies and Gentlemen, I know you are all interested in the outlook of the Chinese economy. Some of you may even worry about the possible potential impact of China’s economic slowdown and transition. To ease your concerns, let me spend more time today on what is really happening in China. The Chinese economy has entered a state of new normal. The gear of growth is shifting from high speed to medium-to-high speed, and development needs to move from low-to-medium level to medium-to-high level. This has made it all the more necessary for us to press ahead with structural reform. It must be noted that the moderation of growth speed in China reflects both profound adjustments in the world economy as well as the law of economics. The Chinese economy is now the second largest in the world. With a larger base figure, a growth even at 7 percent will produce an annual increase of more than 800 billion US dollars at current price, larger than a 10 percent growth five years ago. With the economy performing within the reasonable range and the speed of growth no longer taken as the sole yardstick, the strained supply-demand relationship will be eased, the pressure on resources and the environment will be lowered, and more time and energy will be devoted to push forward structural reform. That means, the economy will enter a more advanced stage of development, with more sophisticated division of labor and a more optimized structure. If I could compare the Chinese economy to a running train. What I want you to know is that this train will not lose speed or momentum. It will only be powered by stronger dynamo and run with greater steadiness, bringing along new
opportunities and new momentum of growth. In 2014, we followed exactly the afore-mentioned approach. In the face of downward pressure, we did not resort to strong stimulus; instead, we vigorously pursued reforms, and the government in fact led these reforms by streamlining administration and delegating power. This has motivated both the market and the business sector. GDP grew by 7.4 percent for the whole year, the best among major economies in the world. Over 13 million new jobs were created in cities, with both registered and surveyed unemployment rates lower than the previous year. That is, we achieved growth in employment despite the economic slowdown. CPI was kept at 2 percent, lower than the target set at the beginning of the year. These outcomes prove that the host of macro-regulation measures China adopted have been right and effective. More importantly, new progress has been made in advancing structural reform. (more)


PM Li leads China’s charm offensive in Davos

In previous years, there had been much chatter among the Davos crowd on the relatively low-key Chinese presence at this annual festival on globalisation, held in this Swiss Alpine resort. In contrast, Japan's Prime Minister Shinzo Abe stole the show last year when he delivered his keynote address, in English, to the gathering of top business, political and civil society leaders. Competition for the affection, mindshare - and ultimately investment dollars - of the Davos elite is intense. This year, for example, India, South Africa and Indonesia have sent teams of ministers and businessmen.

Mr Li, for his part, seemed keen to charm his audience. He kicked off his speech in folksy fashion, recounting how he had spent some time earlier in the day hiking in the surrounding mountains to experience the "beauty and tranquillity" of Davos. Davos, he noted, used to be a place where harried city folk came to recharge. This was all the more necessary in today's world, which was far from tranquil, he continued, with threats of terrorism, economic uncertainty and other troubles around the world. Well aware that many in the audience were anxious about the stalling of economic growth in China - his speech came just days after the country recorded its slowest growth in decades - he assured them that there would be no hard landing, even as the Chinese economy slowed down. This slower growth reflected a "new normal" for China, he said, adding that this made structural reforms all the more critical. He pledged that China would press on with liberalising the services sectors, promoting entrepreneurship and innovation, protecting intellectual property rights and deepening capital markets. "This way, we can shift gears without losing momentum and achieve medium- to high-speed growth, and medium- to high-level development."

Concluding, Mr Li reached for a metaphor designed to appeal to many in this alpine resort - skiing. To ski well, you have to "go at the right speed, keep balance and be courageous", he said. This was what China planned to do with its economy. In doing so, it would give the world economy, and businesses, a boost, he said.

WEF founder and executive chairman Klaus Schwab, displaying quick wit, replied by wishing Mr Li "good skiing on the slopes of the Chinese economy", since so much depended on this. Mr Li's reassuring message was welcomed by participants, given that many were agog over talk of a massive stimulus plan that the European Central Bank (ECB) was set to unveil yesterday afternoon.


China eyes mass innovation, entrepreneurship as new engine

BEIJING - China's State Council pledged to take various steps to create an amicable environment for innovation and entrepreneurship in order to power growth and generate jobs. China should embrace the trend of mass entrepreneurship and innovation in the Internet age, a statement released after an executive meeting of the State Council presided over by Premier Li Keqiang said. The statement said China will foster a platform offering low-cost services in a variety of areas to micro businesses and individual start-ups that show innovation. The
government will also step up policy support, such as simplifying registration procedures and giving subsidies, to innovative businesses. They will improve financing systems to give special support to start-up companies, according to the statement. Although China's broader economy is slowing, China's young entrepreneurs are driving a wave of startups that has become a bright spot for the economic landscape and an important engine for future growth. The number of newly founded companies in China surged almost 46 percent year on year to 3.65 million in 2014, the latest data showed.

Source: Xinhua: China eyes mass innovation, entrepreneurship as new engine, 2015-01-29

Reforms will shift tax focus to direct approach

Individuals may get a taxpayer identification number for the first time as China shifts its taxation system toward one based more on direct taxes, according to a draft version of the Tax Collection and Administration Law. Some points in the draft, which has been released for public comment, also suggest that China will introduce taxes on small e-commerce businesses. Both moves are part of the nation's drive to modernize its government revenue system to give direct taxes such as personal and corporate income tax a larger role, analysts said. The Politburo earlier set a goal to complete establishing a “modern fiscal and taxation system” before 2020. According to the draft, individual taxpayers will get a permanent taxpayer identification number that they will have to provide when signing contracts, paying social insurance premiums or registering real estate. Unlike most developed economies, which routinely issue such numbers to individuals, China issues TINs only to enterprises.

Economists have called for years establishing a system more focused on direct taxes, which they argue will do more to facilitate income redistribution. China now collects more than 60 percent of its tax from indirect levies including sales tax, value-added tax and consumption tax. As these taxes are collected from enterprises, individuals lack the sense of being a “taxpayer” that their Western counterparts have. They also lack awareness of corresponding "taxpayer rights", experts said. The draft also stipulates that e-commerce companies must post their tax registration information on their Internet pages. E-commerce platforms are also required to submit operators' information to the tax authorities. A spokesman for Alibaba Group Holding Ltd said that at present, operators on its Tmall platform, which features established brands, pay taxes according to local regulations.

Source: ZHENG YANGPENG: Reforms will shift tax focus to direct approach, China Daily, 2015-01-13

Govt takes longer view on fiscal planning

China will draft its fiscal policy on a three-year basis, instead of the current one year, to better manage its fiscal budget and improve the efficiency of resource allocation, the State Council said in a recent statement. Adopting medium-term fiscal planning will help address the problems of “fragmented and unsustainable” fiscal spending, Chinese media reports quoted experts as saying. Medium-term planning would also better suit items that require continuous fiscal spending and cannot be planned on a yearly basis. The Ministry of Finance will also establish a budget evaluation system and intensify its efforts to reallocate unspent money to better manage existing funds. The country's fiscal budget is currently drafted on an annual basis, often resulting in shortsighted and unsustainable fiscal policies.

Source: LI XIANG: Govt takes longer view on fiscal planning, China Daily, 2015-01-26

China's VAT reform cuts revenue by 192b yuan

BEIJING - A pilot tax reduction scheme to replace turnover tax with value added tax (VAT) led to a fall in fiscal revenue of 191.8 billion yuan ($31.3 billion) in 2014, China's taxation authority said on Wednesday. The State Administration of Taxation (SAT) said that 4.1 million taxpayers had applied to join the scheme since it was launched in 2012, with over 95 percent of them now paying less tax. Turnover tax is a tax on the gross revenue of a business, while a VAT is levied on the difference between a commodity's price before taxes and its cost of production. The policy change is considered a taxation reduction, especially for the service sector. The scheme was
expanded to state-dominated sectors such as railways and postal services last year, with tax reductions of 800 million yuan and 400 million yuan respectively.

VAT reform is part of a tax reduction package to facilitate economic restructuring. One third of taxpayers in Guangdong have optimized their business structure by delineating businesses in the service sector and the secondary sector. VAT reform will soon be expanded to sectors like construction, real estate and insurance, which is expected to generate another eight million VAT taxpayers.

Source: Xinhua: China's VAT reform cuts revenue by 192b yuan, 2015-01-29

A Welcome Reunion - Fifteen years after Macao's return to China, life has become more prosperous

Gambling has been Macao's dominant industry. Since 1962, the industry was operated under the then-government authorized monopoly held by Stanley Ho. The monopoly was put to an end in 2002. After that, large foreign casinos from Las Vegas and Australia entered Macao. In 2007, Macao's gaming revenues eclipsed that of the Las Vegas Strip. From 1999 to 2013, the share of gaming revenues in the SAR's total fiscal revenues rose from 28.3 percent to 76.4 percent, according to Macao Daily News. In recent years, the SAR Government has made efforts to diversify its economy. In 2014, revenue from the gambling industry plummeted, making economic diversification even more pressing. Progress has been made. In 2013, revenue from such industries as retail, hotel, food and beverage, architecture and finance doubled from that in 2009, reported Xinhua. Its meeting, incentive, convention and exhibition industry (MICE) is also growing vigorously.

The Central Government has signed the CEPA agreement with the SAR Government in 2003, and 10 supplements to the agreement in succeeding years. The Central Government's also issued supportive policies to facilitate mainland residents' travel to Macao to boost development in the region. Before 2003, mainland residents could only travel to Macao in tour groups, to visit relatives or do business. Since 2003, more and more mainland cities allowed individual residents to travel freely to Macao. That policy change has fueled a tourism boom in Macao. In 2013 alone, Macao received more than 29.32 million in-bound tourists, more than 47 times the local population.

World Bank data show that in 2013, the SAR's per-capita GDP ranked second in Asia and the fourth in the world, trailing behind only Luxembourg, Norway and Qatar. From 1999 to 2013, the region's per-capita GDP grew from $13,908 to $91,376. As Macao's economy grows, the government shares the fruits of growth with local residents. In 2008, the SAR Government launched a "double-layer" social security system, including old-age pension, disability benefits, health and unemployment insurance, as well as other financial and emergency assistance. Residents can enjoy 15 years of free education from kindergarten to high school graduation. According to Xinhua, during the past 15 years, old-age pension has been increased from 1,150 to 3,180 Macao pataca ($144-398) per month, and since this year, permanent residents older than 65 years can receive an annual stipend from the government.

Source: A Welcome Reunion - Fifteen years after Macao's return to China, life has become more prosperous, Beijing Review (Jan 1, 2015).

Premier's southern trip to push China's reform drive

BEIJING - Chinese Premier Li Keqiang said China should count on reform, opening up and structural adjustment to improve economy during a three-day tour of south China's Guangdong province. Li said China should push forward reform and opening up steadfastly in a bid to maintain economic growth within a proper range, as the country is confronted with new challenges in an economic "new normal". China should strike a balance between steady economic growth and necessary adjustment in economic structure and promoting reform will help meet that goal, Li said, adding the reform should be of better quality and development more coordinated.

Given poor exports and weak domestic demand, China is increasingly reliant on a reform in nearly all fields to ensure sustainable growth during an unavoidable slowdown. The country has carried out a string of policies and
measures, such as setting up free trade zones, streamlining administration and delegating powers, encouraging innovation and helping small firms. China's GDP expanded at 7.3 percent year on year in the third quarter of 2014, the weakest quarterly figure since 2009. The Premier kicked off his tour on Sunday, the first working day of 2015, visiting Shenzhen and provincial capital Guangzhou. Shenzhen was one of China's earliest special economic zones and Guangdong has always been considered the most open part of the country. The word "innovation" has been heard a lot on the tour, which has passed through the most high-tech or creative areas.

On Sunday Li visited Qianhai Webank, China's first Internet bank and one of five private banks in China. The bank has low costs compared to traditional banks and focuses on small loans to individuals and small firms. During his visit to Chaihuo Makerspace, a creative center crowded with young inventors, Li said makers with creative ideas should be helped to set up their own businesses. Li also visited Huawei Technologies Co. The company has 16 research centers worldwide and owns over 36,500 patents. Given complicated economic circumstance with traditional industries, China should promote innovation as the new driving force for the economy, Li said. During the tour of the new Guangdong free trade zone (FTZ), Li said the FTZ should take advantage of its proximity to Hong Kong and Macao. The zone along with another two in Fujian and Tianjin follows the success of Shanghai FTZ. In Guangdong FTZ investment approval has been cut to one fifth of the previous arduous process that could take up to 800 days. At Guangdong Electric Power Design Institute, Li looked forward to a new edge in global competition with high added value products manufactured in China on the world market. Li placed flowers at the statue of Deng Xiaoping in Shenzhen. Deng led China's market reform and opening up over 35 years ago, which led directly to the rapid growth of the last ten years.

Source: Xinhua: Premier's southern trip to push China's reform drive, 2015-01-7

**China's economic reforms, regional initiatives bring global benefits**

BRUSSELS - China's ongoing economic reforms and initiatives on regional development will benefit both itself and the rest of the world, top European economists have said. Speaking at the World Economic Forum annual meeting in Davos, Switzerland, Chinese Premier Li Keqiang said on Wednesday that the Chinese economy, the world's second largest, is not heading for a hard landing. During the economic transformation and upgrading, "the only risk for China was stagnation, but this has been overcome," Daniel Gros, director of the Brussels-based Center for European Policy Studies, told Xinhua in an interview.

China's economic reforms benefit the world in two ways, according to Gros, a former economic adviser to the European Commission and then the European Parliament. "First, everybody benefits if China grows more strongly, especially if growth is re-balanced from investment and exports towards consumption," he told Xinhua. "Second, making the market the main determinant of economic decisions also facilitates trade," Gros continued. Fredrik Erixon, director of the European Centre for International Political Economy (ECIPE), a world-economy think tank based in Brussels, said economic reforms that open up for more competition and innovation are key to China's development. "The country could add a new dimension to its global economic leadership by fastening economic reforms that can reverse the country's growth trend," the Swedish economist said. In recent years, China has been eyeing economic upgrading through coordinating its financial and monetary policies and through long-term investment in such areas as infrastructure. China has also proposed or promoted a host of initiatives, including the Silk Road Economic Zone, the 21st Century Maritime Silk Road, the BRICS Development Bank and the Asian Infrastructure Investment Bank, as part of efforts to fund global public investment and pursue win-win results. Commenting on these initiatives, Gros said a distinction should be made between internal investment drive and the financing of investment abroad.

Source: Xinhua: China's economic reforms, regional initiatives bring global benefits, 2015-01-22

**China banks' 2014 new yuan lending hits record high**

BEIJING - China's new yuan-denominated lending in 2014 hit a record high of 9.78 trillion yuan ($1.58
trillion), up 890 billion yuan from one year earlier, latest data showed on Thursday. In December, Chinese banks' new lending reached 697.3 billion yuan, up 214.9 billion yuan from the same month of 2013, said the People's Bank of China (PBOC), the central bank. M2 increased 12.2 percent year on year to 122.84 trillion yuan at the end of December, according to the PBOC. The narrow measure of money supply (M1), which covers cash in circulation plus demand deposits, rose 3.2 percent year on year to 34.81 trillion yuan at the end of December. Total social financing in 2014 also rose to a record high, standing at 16.46 trillion yuan, 859.8 billion yuan less than 2013, according to data released by the central bank. Yuan-denominated deposits at China's banks increased by 9.48 trillion yuan in 2014, compared to 12.56 trillion yuan for 2013. By the end of December of 2014, China's foreign exchange reserves totaled at $3.84 trillion. China's credit structure has been improving and the liquidity was relatively abundant in 2014, said Sheng Songcheng, director of the central bank's surveys and statistics department. The record-high new lending and social financing are an indication that the real economy has been relatively stable and active, although with downward pressure, Sheng added.

In the third quarter of the year, China's economy grew at a pace not seen since the depths of the global financial crisis. The annual gross domestic product (GDP) statistics is scheduled to be released by the National Bureau of Statistics next Tuesday. It is very likely to register its weakest annual growth in more than 10 years. The PBOC cut benchmark interest rates on Nov. 22 for the first time in more than two years to step up support for the economy, fanning speculation about further moves, including reserve requirement ratio (RRR) cuts. Bob Liu, an analyst at the China International Capital Corp (CICC), deemed interest rates in the real economy as "still high," with the monthly bill discount rate, a gauge of financing costs in the real economy, staying at a high level in January. On the positive side, the government bond yield has fallen and flattened, which may indicate further easing of monetary policy, Liu said, expecting the PBOC's monetary policy focus to remain on reducing the financing costs in the real economy. China's central bank remained silent about whether more easing measures will come, saying on Friday that it will "continue with its prudent monetary policies in 2015 with better coordination of tight and loose monetary measures and proper fine-tuning." The central bank will adapt to China's economic "new normal" of slower growth but higher quality and highlight industrial transformation and restructuring, said the PBOC at a meeting on its work in 2015.

Source: Xinhua: China banks' 2014 new yuan lending hits record high, 2015-01-16

Policy changes loom for financial institutions

Regulators are expected to further cut interest rates and reserve requirement ratios, ease the rules on loan-to-deposit ratios and continue opening up the financial sector by giving a green light to the establishment of more private banks this year. Here are some policy changes that economists and banking analysts are widely expecting: Starting on Jan 1, the central bank eased the stringent loan-to-deposit ratio requirement for commercial banks to leave more liquidity available for lending. The People's Bank of China has expanded the base for calculating loan-to-deposit ratios by including in the calculation of deposits the savings that are held by banks for non-deposit-taking financial institutions. China International Capital Corp said the rule changes could see an extra 7 trillion yuan ($1.14 trillion) of savings held by banks for non-deposit-taking financial institutions classified as deposits. As a result, banks' loan-to-deposit ratios may drop to 60 percent from 64.2 percent at the end of September, CICC's analyst Huang Jie estimated.

The PBOC cut the RRR twice in 2014. Effective June 16, it lowered the RRR by 50 basis points for commercial banks that had extended a certain portion of their loans to the farming sector or small businesses. The move followed a cut in April for county-level rural commercial banks and rural cooperative banks. On Nov 22, the PBOC cut the one-year benchmark lending rate by 40 bps to 5.6 percent and the one-year benchmark deposit rate by 25 bps to 2.75 percent. Other benchmark deposit and lending rates were lowered accordingly.

In 2015, China will deepen the reform and opening-up of its banking sector by enabling private capital to enter various banking institutions through multiple channels, the China Banking Regulatory Commission announced on
Dec 23. Chairman Shang Fulin told a recent national video conference on the supervision of the banking sector: "The CBRC will expand pilot programs for privately funded banks, accelerate the launch of guidelines on the development of such banks and improve their regulatory framework." Market insiders said the CBRC is considering promoting private capital to set up banks in China's north-eastern, central and western regions where financial services are weak. Some of the newly approved banks such as MYbank, which boasts the recently listed Alibaba Group Holding Ltd as a major founder, will apply Internet ideas and techniques to banking activity from the very beginning.

Source: JIANG XUEQING: Policy changes loom for financial institutions, China Daily, 2015-01-20

China IPOs hit $12.7b in 2014

SHANGHAI -- Chinese companies raised 78.7 billion yuan ($12.7 billion) through initial public offerings on the country's two stock exchanges last year, said a report on Sunday. According to the report released by Deloitte, a leading international accounting and consulting firm, 125 Chinese companies launched IPOs in Shanghai and Shenzhen last year. The number and value of domestic IPOs were 19 percent and 24 percent lower from 2012, it said. Chinese securities regulators resumed IPOs in late April last year after a 18-month-long halt. The report noted 43 percent of the IPO proceeds last year were raised from the Shanghai Stock Exchange and the rest from the Shenzhen Stock Exchange. Wu Xiaohui, a partner of Deloitte China, said securities regulators might speed up the approval process this year as more than 600 companies are lining up for IPOs. But market liquidity continues to be in the focus of the stock regulator, making the IPOs likely to be small or medium-sized, said Wu. As for the companies which wish to raise a large amount of money, many might choose to list in Hong Kong, he said.

Source: Xinhua: China IPOs hit $12.7b in 2014, 2015-01-4

Stock link bid for HK, Shenzhen

China is considering a stock trading link program to allow Hong Kong and Shenzhen investors to buy and sell shares on each city's bourse. The move is part of efforts to integrate Guangdong province, the mainland's reform front-runner, with the country's two special administrative regions. Premier Li Keqiang made the announcement on Monday during a visit to Nansha New Area, one of the three areas in the Guangdong FTZ. "One reason the central government approved the Guangdong FTZ is the geographic proximity to Hong Kong and Macao," he said. "So the first step in building the FTZ is to deepen integration with the two special administrative regions, where the two sides can well complement each other, especially in the trade of services."

The proposed Guangdong Free Trade Zone is modeled on Shanghai's pilot FTZ. It is expected to be more open and closely connected with Hong Kong and Macao, especially through the Closer Economic Partnership Arrangement, a pact aimed at building closer economic ties between the three areas. The Guangdong zone, covering 116.2 square kilometers, includes Qianhai and Shekou Industrial Zone in Shenzhen, Hengqin in Zhuhai and Nansha in Guangzhou. Li said reforms and opening-up do not equate to high-rises and metropolises, but rather to the talent and services inside the buildings.

Zhu Xiaodan, the Guangdong governor, proposed issuing a list of areas off limits to foreign investors, as the Shanghai FTZ currently does. He will also issue a shorter list with fewer restrictions on Hong Kong and Macao investors. Zhu said the Guangdong FTZ will mark the boundaries between regulatory power and the market, clarify the government's responsibilities and its legitimate supervisory area. "As the starting point of China's ancient Silk Road, Guangdong aims to become an important transportation hub for the country's proposal to build a maritime silk road linking Southeast Asian countries with the northern part of China," he said. Tang Shiqi, a professor at Beijing Normal University in Zhuhai, suggested the three areas of the Guangdong FTZ should maintain a different focus during its development. Qianhai Cooperation Zone should continue to focus on the development of the high-end services industry, while Hengqin should mainly cover tourism, commercial services and high-tech industries. Nansha, the largest area in the zone, should upgrade its port facilities and promote manufacturing
The Chinese government has been authorized to ease investment rules in three new free trade zones (FTZs) after top legislature gave the go ahead during a bi-monthly meeting on Dec 28. The new zones will be located in South China's Guangdong province, Southeast China's Fujian province and North China's Tianjin. The only FTZ currently operating is in Shanghai. The resolution on temporary adjustment of regulations for administrative approvals in the new FTZs was passed through a vote at the bi-monthly session of the National People's Congress Standing Committee. According to the resolution, foreign companies will not need government approvals to set up ventures in these FTZs, shut down and merge ventures or change their business purpose. Instead, they will only need to report business plans to the authorities. These preferential policies conflict with 12 articles out of four laws on foreign companies, Sino-foreign joint ventures and Taiwan investors so the legislature authorized the State Council to adjust the implementation in the FTZs. The temporary adjustment will begin in March next year and will last for three years, according to the resolution. After three years, the State Council will run an assessment on the adjustment and decide whether to propose a law revision or return to the original regulations.

"The practice [in Shanghai FTZ] can be copied and applied elsewhere," said Commerce Minister Gao Hucheng, when explaining the draft resolution on behalf of the State Council to lawmakers on Friday. Through the expansion of the Shanghai FTZ and the addition of new zones, reform policies can be tested in a larger geographic area and on a bigger scale, he said. According to the resolution, the Guangdong FTZ, with a total area of 116.2 square km, will include zones in the cities of Guangzhou, Shenzhen and Zhuhai. The Tianjin FTZ, with a total area of 119.9 square km, will consist of three sections around the Tianjin Port, Tianjin Airport and the Binhai New Area industrial park. The Fujian FTZ, with a total area of 118.04 square km, will include industrial areas in the provincial capital of Fuzhou, the city of Xiamen, and Pingtan, a new industrial park targeting Taiwan investment. An area of 91.94 square km will also be added to the Shanghai FTZ.

Source: ZHAO YINAN: Stock link bid for HK, Shenzhen, China Daily, 2015-01-6

Zacks Investment Research: China Stock Roundup: Sinopec Gets Approval for Stake Sale, CNOOC Announces New Gas Discovery - Analyst Blog

Markets enjoyed a good week before declining significantly today, following indications that recent gains have been excessive. On Monday, stocks registered biggest gains on a year's first trading day since 1993. The Shanghai Composite Index gained marginally on Tuesday, even as stocks continued to move upward. China Petroleum & Chemical Corp. (SNP), also known as Sinopec, announced that it has received government approval to sell a stake of its marketing subsidiary Sinopec Marketing Co Ltd. China National Offshore Oil Corp. (CEO), also known as CNOOC, reported a natural gas discovery with its Lingshui 25-1-1 exploration well drilled in the northeast part of Ledong Sag in the Qiongdongnan basin of the South China Sea. With markets on the mainland closed for the first two days of the year, the focus shifted to stocks listed in Hong Kong on Friday. The Hang Seng China Enterprises Index gained 2.2% to close at its highest level since Aug 2011. Speculation that the government will undertake further easing of money supply to boost China's economy led to gains for stocks. The Hang Seng China Enterprises Index gained 1.1%. Stocks remained largely unaffected by the dismal factory output data. A measure of the country's factory output declined to its lowest level in one and a half years. The government's PMI reading declined from 50.3 in November to 50.1 in December. Weakness in the manufacturing sector has added to speculation of additional stimulus measures.

Meanwhile, the mainland and Hong Kong benchmarks ended 2014 on a high. The Shanghai Composite Index has rallied 53% over the last year while the H-share index has only gained 11%. A cut in benchmark rates has led to a surge in shares on the mainland with investors flooding the market. On Monday, stocks added best gains to begin a year since 1993. Large cap and property stocks received particular attention from investors. This was due to the persisting view that further steps from the government to stimulate the economy were on the anvil. Shares of PetroChina Co. (PTR) jumped 10%, increasing the most among a sub-index of energy shares which posted their
largest increase since 2008. The Shanghai Composite Index surged 3.6% to close at its highest level since Aug 6, 2009. Sub-indices of real estate and industrial stocks gained more than 3%. These gains came on the back of a government announcement which offered housing fund loans for small first time home buyers. The CSI 300 moved up 3.1%. Sub-indexes of energy and material stocks increased by a minimum of 6.5%, increasing the largest among the 10 industry groups. However, the H-share index lost 0.3% while the Hang Seng declined 0.6%. Analysts at Bank of America are of the view that the recent rally is excessive in nature and dominated by retail investors. A sudden exit by small investors could lead to a crash which would in turn impact investment on fixed assets as well as consumption. Meanwhile, HSBC analysts believe mainland shares no longer offer value while China stocks traded in Hong Kong are more attractively priced.


CSRC chair Xiao says rules to be relaxed to allow more Chinese firms to list overseas: CSRC chairman vows to further remove obstacles to encourage mainland firms to tap overseas markets while boosting cross-border collaboration

Beijing will ease rules to enable more mainland firms to list overseas, said China Securities Regulatory Commission chairman Xiao Gang yesterday, pledging to boost greater cross-border collaboration in capital markets. There used to be 13 requirements that a mainland firm would have to fulfil for approval to list overseas, but the regulator had removed six of them in past years, including the requirements on sales revenue and company size, Xiao said at the Asian Financial Forum yesterday. [Xiao] highlighted the opening up of the mainland's capital markets as a key opportunity in future collaboration between Hong Kong and Beijing, adding that the mutual fund recognition and cross-border investment quota schemes would be key areas to focus on. "The next step after the stock connect scheme between Shanghai and Hong Kong is the mutual fund recognition to boost cross-border collaboration," he said.

Xiao said there was still room for improvement in the various cross-border investment quota schemes, which allowed foreign institutions to invest in the mainland's securities markets or mainland institutions to invest overseas. He said regulators would optimise the framework of the Hong Kong-Shanghai stock connect scheme to make it more convenient for investors on both sides.

Source: Yu, Jeanny: CSRC chair Xiao says rules to be relaxed to allow more Chinese firms to list overseas: CSRC chairman vows to further remove obstacles to encourage mainland firms to tap overseas markets while boosting cross-border collaboration, South China Morning Post [Hong Kong] 20 Jan 2015: B.1.

Shanghai stock 'crash' erased as buyers look to history

The sharpest rally for Shanghai shares in six years a mere 48 hours after the steepest sell-off since 2008 is a clear sign that investors are willing to take a chance that the world's best-performing stock market of last year could repeat the feat this year. "This sudden volatility in the mainland markets will not scare foreign investors. The rally last time took place after a 10 per cent correction," Khiem Do, the head of Asian multi-asset investments at Baring Asset Management, told the South China Morning Post. "Foreign investors who had missed the rally last year are probably waiting on the sidelines for this correction to finish and to get in the mainland market," said Do, who himself missed out and has actively been putting his money to work in the early weeks of this year. "Sectors that are highlighted as key components of the 'new China', such as internet, technology, environmental and consumer sectors, are the areas that foreign investors will be interested in," he said, while declining to be specific on which industries or companies he is backing.

Source: Yu, Jeanny: Shanghai stock 'crash' erased as buyers look to history, South China Morning Post [Hong Kong] 22 Jan 2015: B.2.
Chinese innovation draws international attention at the WEF

DAVOS - Many renowned experts spoke highly of Chinese innovation, technology, research and creativity at the ongoing World Economic Forum (WEF), citing China's rapid achievements in these areas. Pedro Sander, an associate professor from University of Hong Kong, stressed the positive changes in China's research environment, including improved working conditions and greater incentives for researchers to travel to China and work at universities. "Some well-known graphics went back to China to work even in research labs like Microsoft or in universities where they can build up their own groups and work on any projects they want. So it's very open and there are a lot of collaborations with outside as well," said Sander. He said: "there is a big interest to learn about technology, and the government is trying to get people back, their goal is to establish big research groups."

Philip Jennings, general secretary of UNI Global Switzerland said that every nation should have the capacity for innovation in order to develop and to be competitive in the world of information and technology. "I think this is logical and normal, and we've seen it certainly in China," Jennings said, "what I think is that it's important that how you adjust your labor market, how you keep Chinese workers with the skills that they can also be productive and to help in the innovation process." On labor market, Jennings said that "on the supply side of the labor market, the development of skills, the improvement of skills, if you take someone from the land into a factory doing repetitive work, then perhaps the level of training required is not as demanding as a worker who all of a sudden has to apply new technology, has to get involved in the world of robotics, getting involved in all the side of applications. It requires new investment, development and training of skills."

Adam Posen, president of the Peterson Institute highlighted that development of technology in China is important on a global level. "It's in everybody's interest that China's talent, its human talent, is used for both development and science, and it is a great thing to see these developments in the private sectors, in companies like Alibaba and Huawei," he said. Posen told Xinhua that there have been questions over the fact that, out of the pool of Chinese-produced designs, not all are world-class. Over the years, however, more and more achieve that status.

Italian entrepreneur Mario Moretti Polegato, CEO of fashion brand GEOX, provided Xinhua with examples of the Chinese dynamism and circulation of ideas. "I was informed that the patent office in Beijing at this moment is very crowded, there are lines of hundreds of people going to deposit ideas and patent," Polegato said, adding "Chinese intelligence at economic level is also presented at creativity management level." Polegato explained that discovering and witnessing innovation in the past meant a trip to New York or London. Today, these same driving forces are bringing countless people to Shanghai. China invited and attracted world-class architects. They are the brains behind incredible designs like the Beijing and Shanghai airports, and the high-rise hotels that seem to touch the sky. China is putting in place all the existing modern art in terms of construction, he said.

Source: Xinhua: Chinese innovation draws international attention at the WEF, 2015-01-26

The Power of Market Creation: How Innovation Can Spur Development

Most explanations of economic growth focus on conditions or incentives at the global or national level. They correlate prosperity with factors such as geography, demography, natural resources, political development, national culture, or official policy choices. Other explanations operate at the industry level, trying to explain why some sectors prosper more than others. At the end of the day, however, it is not societies, governments, or industries that create jobs but companies and their leaders. It is entrepreneurs and businesses that choose to spend or not, invest or not, hire or not.

In our research on growth, therefore, we have taken the opposite approach, working not from the top down but from the bottom up, adopting the perspective of the firm and the manager. From this vantage point, we have learned that different types of innovation have radically different effects on economic and employment growth. This insight gives entrepreneurs, policymakers, and investors the ability to collaborate as never before to create the conditions most likely to unlock sustained prosperity, particularly in the developing world. We argue that there exists a well-established model of company-level investment and innovation that leads to transformative economic
development and national prosperity, has been remarkably consistent at explaining past successes, and can provide
direction to stakeholders in what to look for and what to build in the future.

Our model targets innovation as the fundamental unit of analysis, since most investments are focused on that.
And innovation, in turn, comes in three varieties. The first is what we call "sustaining innovation," the purpose of
which is to replace old products with new and better ones. Such innovations are important, because they keep
markets vibrant and competitive. Most of the changes that one sees in the market are sustaining innovations. But
these are by nature substitutive, in that if a business succeeds in selling a better product to its existing customers,
they won't buy the old product anymore. When Samsung releases an improved model of its flagship smartphone,
sales of its old versions drop quickly. Investments in sustaining innovations, therefore, rarely create much net
growth within the companies that develop and sell them. And rarely do they lead to new jobs to fuel
macroeconomic growth.

"Efficiency innovation" is the second type; it helps companies produce more for less. Efficiency innovations
allow companies to make and sell established products or services at lower prices. The Walmart retail model, for
example, is an efficiency innovation. Walmart can sell the same products to the same customers as a traditional
department store, such as Macy's, does at prices 15 percent lower and with half the inventory. In every competitive
economy, efficiency innovations are critical to companies' survival. But by their very nature of producing more
with less, efficiency innovations entail eliminating jobs or outsourcing them to an even more efficient provider. In
addition to being able to produce more with fewer people, efficiency innovations make capital more efficient,
improving cash flow.

The third type is "market-creating innovation." When most industries emerge, their products and services are
so costly and inaccessible that only the wealthy can buy and use them. Market-creating innovations transform such
offerings into products and services that are cheap enough and accessible enough to reach an entirely new
population of customers. The Model T Ford, the personal computer, the smartphone, and online equity trading are
eamples of market-creating innovations. Because many more people can buy such products, the innovators need to
hire more people to make, distribute, and service them. And because market-creating innovations are simpler and
lower cost, the supply chains that are used for sustaining innovations don't support them. This makes it necessary to
build new supply networks and establish new distribution channels in order to create a new market. Market-creating
innovators create new growth and new jobs.

Any strong economy has a mix of all three classes of innovation at any given time. But only market-creating
innovations bring the permanent jobs that ultimately create prosperity. By targeting nonconsumption,
market-creating innovations turn the liabilities of developing nations-the diverse unmet needs of their
populaces-into assets. In the process, they create new value networks, build new capabilities, and generate
sustained employment. This feeds a virtuous circle, as innovators move up the ladder to more sophisticated
nonconsumption opportunities.

Consider the Japanese motorcycle industry. From a group of more than 200 motorcycle makers in the 1950s,
Honda, Kawasaki, Suzuki, and Yamaha emerged to captain the industry's development at home and abroad. These
"Big Four" firms did not seek growth by stealing market share from existing leaders in motorcycles. Rather, they
targeted nonconsumption. When the Japanese Diet passed an amendment to the country's Road Traffic Control Law
in 1952 allowing younger drivers to ride motorcycles, Suzuki was one of the first companies to adapt its offerings
for younger consumers, with its low-end 60cc Diamond Free bike. Similarly, Honda launched the 1952 50cc Cub
F-Type to target the growing number of small businesses that needed delivery vehicles but couldn't afford large
ones. Honda positioned the motorcycle at the affordable price of 25,000 yen (about $70) and provided a 12-month
installment financing plan. Domestic competition among firms vying for the business of consumers with little
disposable income caused them to integrate backward in components and forward in distribution channels. This
created jobs in Japan beyond the Big Four themselves, and it also gave them the ability to export their motorcycles
to the United States and Europe and compete for new consumers in those markets as well.
In China, too, market creators have built domestic niches into regional or global footholds, in industries ranging from consumer durables to construction equipment. Haier started out in 1984 as a market-creating innovator that produced mini-refrigerators for Chinese nonconsumers, and then it leveraged a partnership with the German firm Liebherr to acquire technology and equipment. By 2011, the company had disrupted many global incumbents in the “white goods” market with product lines inspired by its experience in China, gaining a global market share of 7.8 percent. Similarly, Sany was launched in 1989 as a small materials-welding shop for an underserved town in Hunan Province. It leveraged its understanding of local needs and the latest technological advances to produce cheap construction equipment for China’s booming construction market. Today, it has a higher domestic market share than its main rival, the U.S. firm Caterpillar, and is also gaining market share in foreign markets.

Such examples suggest the wide range of opportunities available to grow by targeting nonconsumption and creating robust domestic franchises that can then achieve regional or global scale. Looking at things this way also sheds light on what role resources and investments actually play in development. Several ostensibly valuable levers for development—such as investments in natural resource industries, major infrastructure projects, and routine foreign direct investment—have rarely brought the benefits their backers expected. Why not? In part, because such investments don’t create markets.

Economists have long wondered why nations endowed with oil (such as Iran, Iraq, Mexico, Nigeria, and Venezuela) or precious metals (such as Mongolia, Peru, and Russia) generate billions upon billions in revenues and profits yet manage to create few jobs and little national economic growth. The answer is that investments in resource industries in developing nations lead to efficiency innovations, designed to produce more with less. From the day these rigs and refineries go into operation, the objective of their managers is to increase productivity by reducing employment. This is the logic of efficiency innovation, and its outcome is net job loss, not gain.

Some types of foreign direct investment, of course, do bring more substantial benefits to developing nations. One example is when an investment supports a product that is creating a new market abroad. Typically, the market for the end products and services is growing faster than efficiency innovations are decreasing costs. Such an investment puts people to work to build and run the initial factory, and then the company keeps hiring additional employees to keep pace with customer growth. This distinction explains why foreign direct investment did not create fundamental growth in Mexico but did in Taiwan. Most U.S. investments in Mexico funded efficiency innovations embedded within established end-use markets in industries such as automobiles, appliances, and electric motors. In contrast, most of the companies that have driven Taiwan’s economic development—including ASUSTeK Computer, HTC, Hon Hai Precision Industry, MediaTek, and the Taiwan Semiconductor Manufacturing Company—have provided efficiency innovations embedded within market-creating innovations: more efficient components or services used in market-creating innovations such as laptop and tablet computers and smartphones. Because the growth from market-creating innovations is typically greater than the rate of reduction caused by increased efficiency, the broader economy became more prosperous.

Given that most investments in developing economies have been conceived from the top down and have focused on efficiency, it should come as no surprise that there has been little growth in areas that seemed otherwise to possess such promise. To do better in the future, both the public and the private sector should work to support market-creating innovations—and innovators—in their home markets.

A long-standing concern of entrepreneurs and investors trying to build businesses in the developing world has been the seemingly unavoidable roadblock of corruption. There is evidence, however, that systemic corruption can be circumvented. Thus, despite India’s high degree of corruption at all levels of society, information technology companies in its southern states have prospered because the Internet has essentially become a conduit around the corruption rather than through it. This principle holds promise for other businesses around the world. Rather than spending managerial time applying for or negotiating fees for certificates, licenses, permits, and registrations, executives should work with reform-minded leaders to create ways of getting them easily and virtually, bypassing
the multiple opportunities for corruption along the ordinary routes.

For certain system-level constraints, finally, instead of waiting for the system itself to change, entrepreneurs are best served by trying to internalize the problem and control more of the outcome. For example, although traditional capital markets may not be keen on market creating innovations, the concept of "royalty financing" could help individual businesses. Under this scheme, rather than raising traditional equity or debt, the entrepreneur can license investor capital. The investor receives nothing until revenues are generated, and then the entrepreneur pays a royalty to the investor- a percentage of revenues- just as is common with licenses for intellectual property. As revenues increase, royalties increase, until the accumulated royalties paid have reached some multiple of the initial principal amount. Such an approach precludes the need for a liquidity event, that is, an opportunity to cash out, whose outcome is hard to predict when capital markets are poorly organized and policed. Instead, investors benefit from a liquidity process, which they can monitor and confirm firsthand.

Skilled talent is even scarcer than capital, and here, too, companies can move to internalize the problem. By embracing in-house vocational programs or working more closely with schools and universities, companies can address the problem directly. At the extreme, in South Korea, the steel company posco set up its own university to train capable engineers. Observing that "you can import coal and machines, but you cannot import talent," posco's founder, Park Tae-joon, led the company to establish the Pohang University of Science and Technology to provide needed education in science and technology. The school consistently tops domestic and international university rankings and has been rated number one by the London-based Times Higher Education's "100 Under 50," a ranking of the top 100 universities under 50 years old.


China to expand unemployment benefits to migrants workers

Chinese municipal governments must widen unemployment benefits to residents who are not registered locally, China said on Wednesday, as it dismantles hurdles to urbanization efforts by easing conditions for migrant workers. China's reform-minded leaders have shown greater tolerance for slower economic growth, viewing healthy employment levels as a top policy priority and an important condition for social stability. Chinese leaders have pledged to loosen their grip on residence registration, known as hukou, to try to hasten an urbanization drive. This would help migrant workers, who lack urban hukou, and are cut off, along with their families, from access to education and social welfare outside their home villages. Lack of a local registration should no longer be used as a basis for denying unemployment benefits, the Ministry of Human Resources and Social Security said, according to a government website. Local governments must also provide free career counseling and job-seeking services, and subsidize career development and skill-building, it added. China has slowly eased household registration curbs even as the government has struggled to balance goals such as encouraging millions of farmers to migrate to cities and avoiding the slums and unemployment woes plaguing other developing nations. Any marked weakening in jobs would raise alarm bells for the government as it ratchets up efforts to support the slowing economy. These measures included an interest rate cut last year. China's economy created more than 13 million new jobs in 2014, outstripping an official target despite slowing economic growth.

Source: Xinhua: China to expand unemployment benefits to migrants workers, 2015-01-8

China unveils unified pension system

BEIJING - Measures on old-age insurance for workers in government agencies and public institutions were unveiled on Wednesday. Insurance will now be paid by both workers and organizations, instead of just by organizations or central finance as in the past. Workers will pay 8 percent of their monthly salary into the scheme, while the organization will pay 20 percent of the salary, according to a statement by the Ministry of Human Resources and Social Security. China has nearly 40 million such workers in government agencies and public
institutions. Most of them are civil servants, doctors, teachers and researchers. In the past, corporate employees had to pay for their own old-age insurance, while government staff enjoyed pensions without making any contribution at all. China introduced the pension system in 1955 and it started to diverge in the early 1980s as three decades of planned economy ended. Businesses were allowed to assume sole responsibility for their profits and losses and gradually developed their own old-age insurance requiring both employees and employers to contribute. The previous pension scheme remained for public employees and dual systems came into being.

Pensions without worker contributions have become a huge burden on the government and are unsustainable. The dual system also hindered free flow of staff between private and public agencies. In addition, public outcry about the inequity has been mounting. The unification will help create a fair environment for people in different walks of life, said the ministry statement. Government staff have so-called "iron bowls": They can not be fired at will as private employees can. The ministry said the new system will allow government agencies and public institutions to hire and fire workers just as enterprises do. The aim of the pension reform is to build a system for Party, government and public institutions that is similar to the one employed by the private sector so as to break the long-held dual system.

Under the dual pension system, the employees in a state agency can get 80 to 90 percent of their salary after retirement while the employees of an enterprise may only get 40 to 60 percent. It means the pension of 37 million public servants and employees in state agencies in China will not be provided fully by the government and will have to contribute the same amount to their pensions as employees do in enterprises. Pension reform has been stuck in the past few years as pilot programs in places, including Guangdong province and Shanghai municipality, have come to a standstill after they were launched in 2008. The reform is the most-discussed topic on Chinese social media site Sina Weibo, and the hashtag "pension reform" was used 18.5 million times as of 15:50 pm today. Source: Xinhua: China unveils unified pension system, 2015-01-15

**China's wealth gap narrows as disposable incomes grow**

Income inequality in China narrowed last year, a silver lining to the cloud of a cooling economy that grew at the slowest pace since 1990, the National Bureau of Statistics reported on Tuesday. The Gini coefficient, an internationally used indicator of a country's wealth gap, stood at 0.469 in 2014, down from 0.473 in 2013, according to the NBS. The index, which dropped for a sixth consecutive year from the high level of 0.491 in 2008, was read by analysts as a positive signal amid the country's reform to cap the income of top executives of State-owned enterprises and pension reform which requires government and public institution employees to contribute to their retirement plans.

Disposable per capita incomes grew faster than gross domestic product last year, increasing 8 percent year-on-year in real terms—that is, adjusted for inflation. Rural disposable incomes rose 9.2 percent, faster than the 6.8 percent gain recorded for urban residents, the NBS said. The country's unemployment rate stood at 5.1 percent, while 13.22 million new jobs were created, surpassing the full-year target of 10 million, the data showed.

China's working population declined for the third straight year in 2014, triggering concerns that a shrinking labor pool will weigh on the country's economic growth, especially for labor-intensive industries. The working age population, those aged 16 to 59, decreased 3.71 million last year, the steepest drop since 2012 when the country first saw a decline, data from the National Bureau of Statistics showed on Tuesday. The decline in 2013 was 2.44 million while the figure in 2012 was 3.45 million. The shrinking labor force has raised concerns of a demographic crisis. Some experts are calling for a complete scrapping of all family-planning restrictions so China can avoid the trap of the population getting older before it gets richer.

Source: LI XIANG: China's wealth gap narrows as disposable incomes grow, China Daily, 2015-01-21

**10m new jobs on way, Li vows**

Premier Li Keqiang pledged on Monday to create at least 10 million jobs this year by maintaining economic
growth at medium-to-high speed through stable macroeconomic policies. He said job creation remains the most important index in drafting the country's target for economic growth, which many experts believe will slow further this year to about 7 percent from 7.4 percent. Li made the jobs pledge at a meeting with economic experts and corporate leaders from burgeoning industries such as Internet and information technology, as well as industries with overcapacity. The meeting, held to gauge opinions on the government's policies and its Annual Work Report this year, lasted for more than two and a half hours. Li said China is expecting a new urban labor force of more than 16 million this year and a rural labor force of 6 million, meaning the government has to create at least 10 million new jobs in 2015. "Stress tests show the possibility of a large amount of unemployment, which could lead to social instability if the economy cools down too fast," he said. China created 13 million new urban jobs last year, with both the registered and surveyed unemployment rates lower than in 2013. Li said rural residents, which make up about two-thirds of the population, earn more than half of their annual income from part-time jobs in cities. This has made job creation, especially for these residents, so important.

Source: ZHAO YINAN: 10m new jobs on way, Li vows, China Daily, 2015-01-27

Medical care with a cutting edge

Great demand in China's medical sector has created extensive business opportunities for Switzerland's medical industry, renowned as one of the world's best. Swiss pharmaceutical companies Novartis and Roche and other medical firms are long established in China, as is the reinsurance company Swiss Re, which plays a significant role in spreading risk in China's medical insurance market. Also, Switzerland's availability of reputable and professional hospitals has made it a great destination for medical tourism, which is increasingly popular among Chinese travelers. "There are still huge unmet needs in healthcare in China," says Jia Xu, China consulting partner of PricewaterhouseCoopers, who is based in Beijing. "China will remain among the world's most attractive markets in the next few years." IMS Health says China is positioned to become the second-largest pharmaceutical market after the United States this year. By growing an estimated 15 to 18 percent a year, it is expected the market will be worth between $155 billion and $165 billion. Swiss healthcare firms have apparent advantages in high-end targeted customers for both pharmaceuticals and vaccines, Jia says. They have operated in China for decades, with strong brands and innovative products.

Novartis, which started to do business in China in 1987, has grown from a few dozen associates to a major company hub that employs about 8,000 people. In addition, Novartis has made significant investments in increasing research and development in China, including developing a state-of-the-art facility in Shanghai, the Novartis Institutes of BioMedical Research. "Given this legacy of investment in China, Novartis sees a promising future in China based on ample opportunities for growth and innovation in that market," says Eric Althoff, a spokesman for Novartis. Novartis staff at the institutes are focusing on research for gastric cancer and hepatoma, or tumors of the liver, which are indigenous to the Chinese population. Another focus is lung cancer, which affects 18.74 percent of Chinese. The institutes have also created a cancer model platform, which is useful for discovering biological markers and profiling preclinical drug candidates in Novartis' oncology pipeline. The company is also researching treatments for diseases linked with aging, which are increasingly afflicting the Chinese population. An example is using the principles of stem cell research to explore regenerative medicine in areas such as hearing loss, obesity and sarcopenia, a degenerative loss of skeletal muscle mass. In addition to the investment in the institutes, Novartis is collaborating with Chinese universities and hospitals on research and drug discovery. One example is the Novartis-Fudan Joint Research Laboratory, which the company formed with Fudan University to develop disease models and look for novel drug targets by using innovative molecular genetic techniques.

Althoff says Novartis sees great future growth in China, and has aligned its growth strategy with the Chinese government's priorities of improving healthcare throughout the country. To achieve this, Novartis has engaged in numerous partnerships with public and private organizations in China, including working with several groups in the Chinese government. Novartis has invested in programs that help to increase health awareness. In 2010 it
developed Jian Kang Kuai Che, which means Health Express, in Xinjiang. It is a program that offers hygiene and health information to students, healthcare professionals and patients to promote a healthy lifestyle and help prevent common diseases. Through JKKC, health education has reached children more than 1.4 million times and adults 60,000 times throughout more than 270 participating schools. As well, more than 1,100 doctors, nurses and medical workers have been trained in infectious diseases either in person or remotely.

Swiss Re is another important player in China's healthcare sector, working to help spread financial risks in the sector. It also uses its knowledge and expertise to help its Chinese customers, which are insurance companies, to devise the best insurance policies. Thierry Leger, head of life and health products at Swiss Re, says that almost all of China's life and health insurance companies are its customers. For example, Swiss Re has worked with New China Life on the first cancer insurance product in China. NCL says it has sold more than 750,000 cancer policies, which means that for just this single customer and this single product, Swiss Re is supporting healthcare protection for about that number of people in China. Swiss Re's overall reinsurance business began supporting clients in China in 1931, and it has been providing training for healthcare insurance companies since the 1990s, when China introduced private health insurance. Leger says that Swiss Re's work in China will help the industry better manage insurance risks in four areas: education and awareness, innovation, availability and risk management. With risk management, Swiss Re is identifying and mitigating risks for its customers in all steps of its client value chain, from product design to pricing, risk selection and underwriting, claims management to experience monitoring and capital management. Leger says. In 2007 Swiss Re produced a report on China's healthcare insurance challenge. It proposed a public-private partnership model for China's healthcare market in which commercial insurers could focus not only on developing the voluntary market but also help the government administer its social insurance programs. The study was conducted in response to an invitation by the China Insurance Regulatory Commission, as an independent review to produce recommendations for the country's healthcare system. Leger says he is pleased to see the government is beginning to buy medical insurance and services from the private sector. "During the past 10 years, private healthcare insurance has also grown rapidly. This is not by chance - it is definitely the natural outcome of economic development and has been triggered by the development of social health insurance." He says unique advantages that Swiss Re has in the Chinese market, including its global expertise combined with local teams, bring to China research and development expertise, product innovation and design, risk management expertise, value-added service for the end consumer, a strong balance sheet and a willingness and commitment to grow together with customers. "Perhaps most importantly, Swiss Re is aware of the social function played by insurance. With insurance in place, individuals have a level of financial security when the unforeseen happens. This helps secure the wealth that people have acquired, relieves the strain on governments and ultimately supports further economic growth." Swiss Re sees great growth opportunities in China's healthcare reinsurance market, Leger says. The company has projected that the health protection gap, which is the shortfall in the insurance needed to cover the population, in the Asia-Pacific region could reach $197 billion in 2020, compared with $9 billion in 2011. "This means that there is a huge shortfall in insurance," Leger says. "Swiss Re is focused on how to address that change in a sustainable way."

Another key development in Swiss-China healthcare collaboration is that of medical tourism. Andrej Reljic, managing director of Swiss Health, Switzerland's national marketing organization for healthcare and medical services, says the country has more than 250 years of history treating patients from abroad, and its advantages include high-quality medicine, good service, medical education and experience. Medical tourism treatments popular among Chinese visitors include check-ups, esthetic surgery, laser treatment, anti-aging programs, medical and esthetic dermatology, plastic and reconstructive surgery, dentistry and implants, he says. Many of these treatments can be as short as one or two days, which allows patients to benefit from the stay to combine it with excursions, shopping, and other activities, says Reljic. Jia says that healthcare sector opportunities for foreign players in China are expected to grow because China is encouraging foreign pharmaceutical and medical technology companies to enter the country, especially in areas such as trading, manufacturing and research and
development. "Additionally, China is deepening healthcare reform to encourage overseas private hospitals and nursing home investments," Jia says.

However, competition is fierce, and it is important for foreign entrants to find the right product portfolio for the China market. Another challenge is how they can expand their businesses to broad, grassroots areas in China, given that the increase in sales and market share in developed regions has become limited, Jia says. "With tightened regulations and increased operational costs, multinational corporations need to think out new business models to develop their business in a more efficient way while staying compliant. Moreover, more healthcare service sectors from Switzerland should consider getting into the Chinese market because the huge aging population has created a great opportunity."


**China's harsher environmental protection law to take effect**

BEIJING - China's revised Environmental Protection Law will come into effect Thursday, bringing with it heavier punishments. According to the revised law, extra fines accumulating on a daily basis will be imposed on enterprises that fail to rectify violations. Local officials may be demoted or sacked for misconduct, including the concealment of offenses, falsifying data, failing to publicize environmental data, and not giving closure orders to enterprises that illegally discharge pollutants. The new law also urges economic and social development should be coordinated with environmental protection and encourages studies on the impact environmental quality causes on public health, urging prevention and control of pollution-related diseases. Specific articles and provisions are included that tackle smog, public environmental protection awareness and the protection of whistleblowers. The revision, the first since the law was promulgated in 1989, was adopted in April by the country's top legislature.

Source: Xinhua: China's harsher environmental protection law to take effect, 2015-01-1

**China sets up anti-counterfeiting alliance**

BEIJING - A strategic alliance on infringement and counterfeiting eradication was set up in Beijing on Friday to further improve protection of intellectual property rights (IPR). More than 100 members of the non-government China Anti-Infringement and Anti-Counterfeiting Innovation Strategic Alliance called for modernized data sharing, a social common management mechanism and a civilian monitoring system for IPR protection. In the Internet era, IPR infringement needs a public service platform based on big data analysis and information sharing, said Hong Yunfeng, director of the alliance. The organization is devoted to building a fair business environment and carving out a new image internationally for Chinese enterprises and products, he said. Members of the alliance include companies like Chinese smartphone maker Xiaomi Inc., e-commerce giant Alibaba, universities and industry associations.

"With the popularity of our products, there are more and more counterfeit cellphones," said Liu Yanxia, anti-counterfeiting manager at Xiaomi Inc. Liu said she hoped the alliance would protect the rights of companies with its resources. Chinese authorities handled more than 110,000 cases of IPR infringement in the first three quarters of last year, according to the country's top office for nationwide operations against IPR infringement and counterfeiting. This year will see special campaigns to crack down on IPR infringement and counterfeiting in the booming e-commerce sector as well as in rural areas where law enforcement is lax, said Chai Haitao, deputy head of the office.

Source: Xinhua: China sets up anti-counterfeiting alliance, 2015-01-23

**INTERNATIONAL: Coal faces continuing challenges**

Since the start of January, Australian benchmark coal has dropped to 62.4 dollars per metric tonne (mt), 25% lower than a year earlier. A combination of climate change-related policies, the shale gas revolution in the United
States, and a decline in the cost of renewable energy has heightened competition for coal. Demand has fallen since the industry reached peak production in 2012 following a wave of investment spurred by record prices in 2008 on the back of a rapid increase in demand in the Asia Pacific region.

South-east Asia will be a bright spot for coal demand, as consumption is forecasted to double in Malaysia and Thailand. South Korea's 'Eurasia Initiative' will open a new market for Russian coal, using North Korean Rajin port. Japan will promote cleaner combustion technologies, known as ultra-supercritical, as more commercially and economically viable than carbon. Japan's return to nuclear energy could end a golden era for LNG and thermal coal exports to North-east Asia. The United States, China and India collectively account for 76% of global thermal coal consumption. But domestic demand in the United States has declined by 20% since its peak in 2007. In China, consumption fell 1% in 2014; the growth in demand had been slowing for the previous three years after increasing at 10% a year since 2002. The balance between cyclical and structural factors behind the declines varies in the two markets. Record hydropower output is one reason that China's coal imports are contracting sharply; hydropower capacity increased by 13 gigawatt (GW), or around 5%, in 2014. In addition, capacity utilisation at coastal thermal power plants remains low, between 55% and 70%. Coal stockpiles across China reached a record high of 98.33 mt in November 2014, 21.1% higher than a year earlier. Since October 2014, China has imposed a 3% tariff on coal imports, reversing a decade-long policy of trade facilitation. From January 2015, coal consumed in coastal China must not exceed 16% ash and 1% sulfur content. An import ban has also been imposed, curtailing the inflow of coal containing 40% ash and 3% sulfur. Export duty has been cut from 10% to 3% from January 2015. India's annual per capita consumption of electricity, at 700 kilowatt-hour (kWh), is one-fifth of China's use rate. India's long-term demand for thermal coal stems from the country's plan to build 'ultra-supercritical' power plants, which are both more efficient and emit less carbon than conventional plants. Facing increasing domestic coal shortages, likely to reach 265 mt by 2016-17, India imported 168.4 mt of coal in the year ending in March 2014; that figure is expected to rise to 300 mt by 2020. The country's already strained port and rail infrastructure may not be ready to handle such volume increases. Lack of adequate rail connections leads to stocks piling up in some places but shortages in others. European coal markets have been affected by non-commercial forces: environmental pressures to close coal-fired plants in Germany; powerful trade unions driving Poland's opposition to 2030 emission reduction targets; and Donbas unrest, which severed the rest of Ukraine from nearly 60 mt of annual coal production.

Coal industry optimists look to India's growing energy needs to counter falling demand elsewhere. By the end of the decade, India will have overtaken the United States as the second largest coal consumer after China and superseded China as the world's largest importer, buying 429 mt a year by 2040. China's imports should start declining this decade, having topped out at 280 mt. The main variables in these projections are how the two countries balance low-cost energy supply and security with de-carbonisation policies.


China 2014 power consumption rises 3.8%

BEIJING - China's electricity consumption, a key indicator of economic activity, rose 3.8 percent year on year in 2014, the National Energy Administration said Friday. The growth marked a sharp slowdown from the 7.5 percent gain seen in the previous year as the country's economic strength remained subdued.

Source: Xinhua: China 2014 power consumption rises 3.8%, 2015-01-16

Top 10 cities for business in China

Guangzhou, the southern Chinese city once known as Canton, has stayed at the top of a new list of the country's best cities for business, according to Forbes China, the licensed China-language edition of Forbes magazine. Guangzhou topped the list in part on the strength of the city's transport infrastructure and human resources. The southern business hub is headquartered to, among others, billionaire Zhang Li of Guangzhou R&F Properties, one of China's richest people and China Southern Airlines. Nearby Shenzhen, home to Internet giant...
Tencent and China's telecommunications hardware leader Huawei Technologies, ranked No. 2 on the list.
No. 2 Shenzhen; No. 3 Shanghai; No. 4 Wuxi; No. 5 Nanjing; No. 6 Hangzhou; No. 7 Beijing; No. 8 Ningbo; No. 9 Suzhou; No. 10 Chengdu
Source: Top 10 cities for business in China, China Daily, 2015-01-16

Back in the cold; The north-east

Woolen car-seat covers come in handy during the freezing winters of north-eastern China, giving drivers a plush layer of extra warmth. But as temperatures have plunged over the past month, seat covers that used to fly off the shop shelves in cold weather have piled up. Unsold seat-covers reflect a deepening economic malaise in China's north-east. They stem from a slowdown in car sales that has been exacerbated by a property-market downturn, which has been weak nationwide but especially bad in the north-east. Home sales in Shenyang, the region's biggest city, fell by 26% year-on-year in the first ten months of 2014. That, in turn, reflected a decline in heavy industry, the backbone of the economy. The north-east's provinces--Heilongjiang, Jilin and Liaoning--ranked in the bottom five of China's 31 provinces for GDP growth in the first three quarters of 2014. It is a troubling regression for China's old rustbelt, which is home to 110m people. Until recently the north-east appeared to be experiencing a renaissance after a difficult couple of decades. The question now is whether its lapse is a passing phase, as it makes the transition from being a base for heavy industry to a centre for modern manufacturing and entrepot for north-east Asian trade; or whether its problems are chronic, the legacy of a centrally planned past in which it remains partially trapped.

China's poorest village booming thanks to 'rural urbanization'

XIAOGANG - Xiaogang village in East China's Anhui province, once one of China's poorest village four decades ago, has seen "rural urbanization" unleash economic vitality and allow its residents to stay close to home. Han Hongxiu has worked for Fengyang Golden Xiaogang Agri-Forestry Scientific and Technological Industry Ltd Co for two years. This is "the perfect" job for him, as the company is only a 10 minutes walk from his house. So, he can enjoy dinner with his wife every day and still continue to work his 7 mu (0.47 hectare) plot of rice paddy.

Xiaogang, like many other villages across the country, has initiated agricultural reform that allows families to transfer part of their farming land to companies in return for a fee, and this is reinvigorating farmers' lives. Fengyang Golden pays Han's family 800 yuan ($128.77) each year for every mu of transferred land. Han transferred 17 mu (11.4 hectares) of land to the company and kept the remaining 7 mu for his family. In addition, farmers in Xiaogang that have leased their land to the company are given employment preference. Han, 52, still remembers vividly his hand-to-mouth existence prior to 1978, the year the village initiated the landmark reform measure, and is more than satisfied with his 2,400 yuan monthly salary for tending to blueberry and cherry seedlings.

The growing Chinese middle class has a huge appetite for exotic fruits such as these, and the climate and soil conditions drew the Shandong-based company to Xiaogang. The fact that Han's wife also works at the same company also has many benefits, as previously he had to work away from home and live alone in southern China, often only meeting his wife twice a year. His wife takes home the same salary as Han and this means they can amply support each other while their two sons pursue a master degree and work in far flung cities. Han's thatched cottage has been replaced by a four-bedroom bungalow that boasts air conditioners and a refrigerator, and Han is saving for a car. He is a perfect example of the success of "rural urbanization". About half of Xiaogang's 946 households own a car, around 70 families have access to the Internet, and there are now buses that connect villagers to the local town. "I feel my life is on a par with urban dwellers, and I am happy to be able to continue to work in my fields," said Han.

Life was not as sweet as a bowl of cherries for Han during his childhood. Villagers in Xiaogang only received
a ration of 75 kilograms of grain per capita in 1975, when the nation was under the egalitarian agricultural system, and he, like many of his fellow villagers, was emaciated from his poor diet. One winter night in 1978 was to change things for the better. After a severe drought 18 villagers in Xiaogang made a secret agreement and divided the village's farmland into family plots. The first harvest in 1979, saw a bounty harvest, with more grain from one season than the total of the past ten years. Their success was noted by the relevant authorities and the process was repeated elsewhere. "You are more committed when you work for your own family. No tears were shed that night we signed the contract under the muted light of a kerosene lamp, but I was worried about a possible prison term. But a life ruled by begging for food year after year was so humiliating, and we were so poor that we could not even afford underwear," Yan Jinchang, 72, one of the 18 villagers that signed the groundbreaking agreement, said in an interview.

The 2,300 mu of greenhouses and orchards managed by Fengyang Golden was transferred from farmers in Xiaogang. Unfortunately, farmers who are entitled to property use rights do not hold the property certificates to transfer their land. Fengyang County was one of the first 20 counties in Anhui to initiate a trial program in 2013, to test the waters and see of the mortgaging and transfer of farmers' homesteads, as well as the sale and lease of rural construction land could be economically and socially advantageous. This land reform measure can kickstart large-scale farming and poor some much needed vitality into the rural economy. Fengyang Golden is not the only business that is aware of the potential of villages like Xiaogang and the more company's arrives, the more support the -- previously -- ailing agricultural sector reaps. For example, free swine manure from a nearby pig-breeding company makes great fertilizer for the organic orchards at Fengyang Golden. "This can save me at least 200,000 yuan a year on fertilizer, and makes it more likely that farmers-turned-workers, like Han, will get a pay raise," manager of Fengyang Golden Zhao Peihe said.

Source: Xinhua: China's poorest village booming thanks to 'rural urbanization', 2015-01-8

**China's Pearl River Delta is world's largest urban area**

SINGAPORE - The Pearl River Delta comprising a cluster of cities in Southern China has overtaken Tokyo as the world's largest urban area in terms of both population and land area, the World Bank said on Monday. The Pearl River Delta, including Guangzhou, Shenzhen, Foshan and Dongguan, has 42 million inhabitants, a population larger than that of Argentina, Canada or Malaysia, the bank said in a report on urbanization in East Asia. The report said that almost 200 million people in East Asia, which includes Southeast Asia and Northeast Asia, moved to urban areas in the decade ended 2010. About 36 percent of the population in the region lived in urban areas as of 2010, up from 29 percent at the beginning of the decade.

The report also finds a link between urbanization and income growth. World Bank urban development expert Abhas Jha said he hopes the report will push policy makers to a shift from a "car centric" to a "people centric" strategy in growing cities to address challenges such as traffic congestions. The report also said that data shows that only less than one percent of the total area studied is urbanized and that the urbanization in the region has just begun given that only 36 percent of the population is urban.

Source: Xinhua: China's Pearl River Delta is world's largest urban area, 2015-01-27

**Cities cut GDP growth targets to adapt 'new normal'**

With the big downward pressure on the economy, 26 out of the 31 provincial regions in Chinese mainland have lowered their gross domestic product (GDP) growth targets for 2015, Chinanews.com reported Thursday. Among the 28 provinces that have revealed their GDP targets, only Tibet in Southwest China kept its new target equal with that of last year at 12 percent, and Shanghai municipality even scrapped the target number. The capital Beijing lowered the growth target to 7 percent, from 7.5 percent last year. The biggest cut was by 3 percentage points, coming from Northeast China's Liaoning, North China's Shanxi and Northwest China's Gansu provinces.

Many provinces missed their targets for 2014. Shanxi's 2014 growth was 4.9 percent, greatly missing its
forecast of 9 percent; and Liaoning's GDP increased 5.8 percent, lower than its target of 9 percent in 2014. Cities' move to lower the GDP growth targets actively adapts to the "new normal", as China's economy shifts from high speed development to slower speed, the report said. The "new normal" means slower growth rate but higher quality, and China will strive to keep economic growth and policies steady in 2015 and adapt to the "new normal", said a statement released after the Central Economic Work Conference concluded on Dec 11, 2014.

China non-manufacturing PMI rises in December
BEIJING - China's service sector activity rose in December for the second month running, an official monthly survey showed on Thursday. The purchasing managers' index (PMI) for the non-manufacturing sector rebounded to 54.1 in December from 53.9 in November, according to a report released jointly by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing. The index was 53.8 in October and 54 in September. The sub-index for the construction industry fell to 57.1 in December from 58.9 in November, while the sub-index for services rose to 53.3 in December from 52.6 in November. The new order sub-index for the entire non-manufacturing sector rose to 50.5 in December from 50.1 in November.
NBS analyst Zhao Qinghe said the non-manufacturing sector has been improving since the country mapped a series of measures to boost the service sector and upgrade industries. The PMI samples 1,200 non-manufacturing enterprises of various sizes nationwide. It tracks activity in sectors including services, construction, software, aviation, railway transport and real estate.
Source: Xinhua: China non-manufacturing PMI rises in December, 2015-01-1

China 2014 retail sales up 12%
BEIJING - China's retail sales rose 12 percent year on year in 2014 to 26.24 trillion yuan ($4.28 trillion), the National Bureau of Statistics said on Tuesday. Retail sales, a key indicator of consumer spending, continued to accelerate in December, rising 11.9 percent from a year earlier. The figure was up from November's 11.7 percent and October's 11.5 percent. Retail sales growth in rural areas outpaced that in urban China. Last year, sales in rural regions rose 12.9 percent from a year ago, while sales in urban areas climbed 11.8 percent. Online sales showed robust growth, soaring 49.7 percent year on year in 2014 to 2.79 trillion yuan. Consumption has been a bright spot in the Chinese economy, which is confronting slowing domestic investment growth and a weak global recovery. Consumption contributed 51.2 percent to GDP growth last year, three percentage points more than the previous year. Looking ahead at 2015, retail sales are expected to rise 12.2 percent year on year, according to a working paper published last month by a group of economists of the People's Bank of China.
Source: Xinhua: China 2014 retail sales up 12%, 2015-01-20

Policy design to propel China's SOE reforms
BEIJING - The restructuring of China's state-owned enterprises (SOEs) will proceed rapidly in 2015 as the government is set to unveil 10 policies for SOE reform. Chu Xuping, head of research for the State-owned Asset Supervision and Administration Commission (SASAC), described "major breakthroughs" in the overall plan for SOE reform. "The majority of policies will be rolled out before Spring Festival," Chu said. Spring Festival falls on Feb 19 this year. The 10 policies include a guideline for reform, a general plan for state asset management, plans for mixed ownership and improvements to the evaluation system.
Deteriorating SOE performance, general resilience in the labour market, and an improving social safety net may help the government move faster, she said. Combined profits of China's SOEs rose 4.5 percent to 2.24 trillion yuan (about $365 billion) in the first 11 months of 2014, slower than than 8.2 percent growth reported in the same period of 2013. Resolving key issues will raise the efficiency and competitiveness of SOEs, according to a statement after the central economic work conference in December that set the tone for 2015. The central goal is
giving the market the decisive role in allocating resources, and improving overall efficiency. Reforming SOEs is crucial as they are seen as key to sustained growth and stability. Last year, Sinopec, PetroChina and State Grid all released plans to open some sectors to private investment. The government has also decided to grant more rights to corporate entities in 2015. Zhang Yi, head of SASAC, said in December that the role of SOEs as independent market entities should strengthen by giving them due rights and removing unnecessary burdens.

Source: Xinhua: Policy design to propel China's SOE reforms, 2015-01-13

China's December manufacturing PMI retreats

BEIJING - The manufacturing purchasing manager's index (PMI), a key measure of factory activity in China, posted 50.1 in December, down from 50.3 in November, according to data released by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). The PMI of large manufacturers posted 51.4, down from 51.6 in November. That of medium enterprises stood at 48.7, up from 48.4 in November, but still contracting. The PMI of small manufacturers slumped to 45.5, down from 47.6 in November, and remained in the contraction territory, the NBS said. The production sub-index posted at 52.2 percent, down from 52.5 in November. The sub-index for new orders slipped to 50.4, down from 50.9 in November. The employment sub-index was 48.1, down from 48.2 in November. The slumping PMI showed the manufacturing sector does not have great upward momentum, though it is running stably, said Zhao Qinghe, a senior NBS statistician. China is experiencing industrial restructuring, and the prices of industrial products have been slumping, affecting the production and order sub-indices, Zhao said. A cooling manufacturing sector and property downturn dragged China's economic growth to 7.3 percent in the third quarter in 2014, down from 7.5 percent in the second quarter and 7.4 percent in the first quarter.

Source: Xinhua: China's December manufacturing PMI retreats, 2015-01-1

China's December PPI down 3.3%

BEIJING - China's producer price index (PPI) posted its steepest fall in more than two years in December amid a slump in global oil prices and weak domestic demand. The factory gate price, which measures inflation at the wholesale level, dropped 3.3 percent year on year in December, the National Bureau of Statistics (NBS) said on Friday. PPI dropped 2.7 percent in November, 2.2 percent in October, 1.8 percent in September and 1.2 percent in August. On a monthly basis, PPI contracted 0.6 percent in December, a slight acceleration from November's 0.5 percent fall. Yu Qiumei, a senior statistician with NBS, attributed the drop to the lower prices of refined oil; oil and natural gas; and chemicals, which contributed to a combined 0.4 percentage point fall in last month's PPI reading. In 2014, the country's PPI fell 1.9 percent year on year.

China's consumer prices grew 2 percent in 2014 from a year earlier, well below the government's 3.5 percent target set for the year. Further easing in consumer inflation and accelerating industrial deflation in November reflect stagnation in the world's second-largest economy, and that may push the central bank to cut banks' required reserve ratios as a means of easing liquidity and stabilizing growth, market observers said on Wednesday. The comments followed a report by the National Bureau of Statistics, which said that the CPI edged down to 1.4 percent year-on-year in November from 1.6 percent in October, the lowest level since December 2009. Warm weather and adequate supplies pushed food prices down 0.4 percent month-on-month. The cost of items in the CPI basket other than food slid 0.1 percent from October, the first drop in three months, as global oil prices weakened. "Consumer prices may remain low, and the full-year CPI is expected to be 2 percent, much lower than the 3.5 percent target," said Lian Ping, chief economist at Bank of Communications Co Ltd.

The NBS also said that the Producer Price Index sank 2.7 percent year-on-year in November, the largest decline since July 2013. The index has been negative for 33 consecutive months—the longest period of deflation in 30 years. Deepening industrial deflation is difficult to curb in the short term, experts said, because the prices of raw materials, including oil and natural gas, may remain soft around the world. The People's Bank of China, the central
bank, cut the benchmark interest rates in November. But the cuts were asymmetric, and deposit interest rates and interbank market rates remain high. Strong headwinds from the property market correction, overcapacity in upstream industries and high local government debt are the main causes of the slowdown.

Source: Xinhua: China's December PPI down 3.3%, 2015-01-9

**China's manufacturing activity rebounds in January**

BEIJING - China's manufacturing activity picked up momentum in January but still hovered below an expansion-contraction mark, according to the HSBC's preliminary purchasing managers' index (PMI) released on Friday. The HSBC flash manufacturing PMI for January rose to 49.8 from the reading of 49.6 in December, HSBC said in the report. The output sub-index stood at 50.1 in January, up from 49.9 in December and representing a three-month high, according to the monthly report. "Domestic demand improved marginally while external demand remained solid. The labor market weakened and prices fell further. Today's data suggest that the manufacturing slowdown is still ongoing amidst weak domestic demand," said HSBC chief China economist Qu Hongbin. "More monetary and fiscal easing measures will be needed to support growth in the coming months," Qu added.

Source: Xinhua: China's manufacturing activity rebounds in January, 2015-01-23

**China sets industrial output target at 8% for 2015**

BEIJING - China will aim for 8 percent industrial output growth this year, the top industrial regulator announced on Tuesday. "Although the target is lower than in 2014, it is not a low target and it will take great effort especially as the economy has entered a period of slower growth," said Huang Libin, a senior official with the Ministry of Industry and Information Technology (MIIT), at a press conference. China's industrial output grew 8.3 percent in 2014, down from 9.7 percent growth seen in 2013, according to the National Bureau of Statistics (NBS). Huang said the target took into account China's projected GDP growth this year, the new growth engine of the economy and the difficulties resulting from structural reform. A housing slowdown, softening domestic demand and unsteady exports dragged down December's industrial output growth to 7.9 percent year on year, NBS data showed.

Source: Xinhua: China sets industrial output target at 8% for 2015, 2015-01-27

**And now for the Eurasian dream**

While the China-EU 2020 Strategic Agenda and negotiations on an investment agreement are positive developments, the EU's new leadership trio, Jean-Claude Juncker, the president of the European Commission; Donald Tusk, the president of the European Council; and Federica Mogherini, high representative of the EU for Foreign Affairs and Security Policy, should respond adequately to the New Silk Road initiative. A Sino-European Silk Road Fund could be a complementary mechanism to finance large projects - from infrastructure to education - serving the shared vision of a peaceful and prosperous Eurasia. An ambitious trade agreement between the EU and China would complement the efforts to facilitate commercial exchanges across the Atlantic and Pacific.


**World Economic Forum: China Slowdown Brings Strategic Shift**

China's slipping economic momentum is driving the government to seek new sources of growth and pushing multinationals and Chinese companies to look for a Plan B to prosper in the world's second-largest economy. General Motors Co. President Dan Ammann said last week at an investor conference that the auto maker is now focusing on selling cars in smaller Chinese cities, targeting the car parts and accessories market and changing its mix to sell more higher-margin SUVs and Cadillacs. "This market is maturing rapidly," Mr. Ammann said.

Unilever PLC is one company that has endured a difficult six months in China. The maker of Dove soap and Lipton tea said Tuesday that its sales in China plunged 20% for a second consecutive quarter. Unilever said Chinese
consumers are becoming less willing to pay more for branded goods and that it is pushing to expand into smaller cities as growth slows in the major population centers. "The quality of sales [in big cities] and the economic slowdown are making us do these adjustments." said Chief Executive Paul Polman.


China’s Premier Meets Top Business Leaders in Davos

Premier Li Keqiang used a special meeting with key international business leaders at the World Economic Forum to announce a number of reforms aimed at stimulating further investment in the Chinese economy and underlining the country's commitment to further reform. During the dialogue, Premier Li explained that China's reform priority was to balance the government-market relationship. He also committed to further administrative reforms aimed at creating a level playing field for all market entities, to improving transparency in government budgets, and increasing government spending on public goods and services. Social inclusion would be promoted, the premier said, through the development of a multilevel capital market backed by small and medium-size banks, as well as private banks. Meanwhile, foreign investors heard that China would open its services sector and lower the threshold for foreign investment in China. Premier Li also resolved to contribute to the stability of the global financial system through an expansion of renminbi (RMB) settlement in cross-border trade and investment, as well as offshore RMB businesses.

"The conversation with Premier Li is a great example of today's open, honest and productive dialogue that Chinese leadership has with the global business community," said Klaus Kleinfeld, Chairman and Chief Executive Officer of Alcoa and International Business Council Chairman. "The scope and scale of China's current economic development is impressive, and Premier Li encouraged international companies to grow their cooperation and engagement in China's transformation," he added. "It was informative to hear more about China's strategy for growth," said Ellen Kullman, Chair and CEO of DuPont and Chair of the US-China Business Council. "We are encouraged by China's ambitious reform direction, and are hopeful the US and Chinese governments can develop a long-term plan for economic and commercial cooperation."


U.S., China stand out amid gloom in Davos

Canada and Switzerland just cut interest rates to trigger currency declines; Britain announced no interest rate increases for six months; and the European Central Bank announced a €60-billion-a-month bond-buying spree for a couple of years, pushing the euro to an 11-year low. Besides Russia, income disparity and Islamist terrorism were featured in panel sessions, but strangely out of place was Silicon Valley's technology triumphalists (from Google, Facebook and Microsoft). Their claim that tech will save the world sounded like Wall Street's rhetoric a decade ago which ended in tears and job losses. The tech sector has yet to address the reality that automation will become a worrisome job killer.

The only good news is that the world's engine of growth, the U.S., will lift all boats (4% GDP growth) and that China will also play its part. Notable was a statesmanlike keynote by China's second most powerful man, Premier Li Keqiang.


United States: Remarks at the National Center for Asia-Pacific Economic Cooperation Luncheon

John Kerry, Secretary of State: I'm delighted to be here with everybody. There is no doubt that how this region grows and how we engage the 2.7 billion customers who live here is going to shape the future of the global
economy, and it will do much to define the 21st century. The numbers themselves of the last years of development actually define this story. The fact is that more than half the world's GDP is represented in this region. Fully half of America's top 10 trading partners are APEC economies. And we send the majority of our exports here to the Asia Pacific. And outside of America over the next five years, this region is expected to grow as much as all other countries combined. Just think about that. So if we put it all together, it's pretty obvious why we all have a huge stake in the choices that are made here.

But getting these choices right is not automatic. That means to have to develop even closer cooperation between the public and the private sectors. And what you sell, how you invest, how you operate - these are all major parts of the equation. Our ambassadors throughout the region, including our outstanding Ambassador to China, Max Baucus, are completely at the disposal of all businesses. And I have said since day one, when I became Secretary of State, that foreign policy is economic policy, and economic policy is foreign policy. We're living in that much of a different world in many ways.

President Obama has set the tone by saying again and again that the way to grow our economies is to grow our exports. And that's exactly what's happening. Since the President took office, U.S. exports have increased more than 50 percent, and the two-way trade between the United States and other APEC countries, economies has grown by nearly the same amount during that period of time. That's five, six years now (inaudible) growth nearly 50 percent. Every single one of you here, almost all of you, have been involved here for decades, frankly. I know this. So you've seen with your own eyes how dramatic the transformation is. Many of you are the transformation. You understand it. And it's been a remarkable transformation in the 25 years since APEC was founded.

So we have made extraordinary progress. The question now is: What do we do with the next 25 years? How do we guarantee that what we can do together, the steps that we take together, are going to build an even more prosperous future for all of the APEC countries? Well, today, I'd argue that we have to organize ourselves fundamentally around four principles of growth: We need to grow openly and accountably. We need to grow green. We need to grow just. And we need to grow smart.


China Makes Headway In Push for Global Yuan

Borrowers ranging from the Chinese government to McDonald's Corp. have raised yuan-denominated debt in the offshore "dim sum" bond market. Issuance more than doubled in 2014, according to estimates by RBS, although the bank added that 2015 could be a slower year as the outlook for the currency becomes more uncertain. After years of steady appreciation against the dollar, the yuan stumbled last year in a reversal that many analysts attributed to a deliberate Chinese policy of introducing more uncertainty into the exchange rate. Last year China also allowed the exchange rate to fluctuate in a range of 2% up or down from the benchmark set daily by the central bank, compared with 1% previously.

In a sign of Beijing's wider ambitions for the yuan, China's Ministry of Commerce said Wednesday that beginning next month the ministry's press statements will no longer include foreign investment data in dollars, only in yuan, although most foreign investment is denominated in the U.S. currency.

"Does the U.S. use the yuan?" said Shen Danyang, a spokesman for the ministry. "No, it uses the dollar." He added that "there are also considerations about promoting the internationalization of the yuan."


Changing Times: Will a "Silver Age" for Sino-Foreign Trade Secure the Future of the Chinese Market?

Special Report: PARTISAN PARTNERSHIPS Despite landmark deals reached between the US and China during the recent APEC summit in Beijing, the world's two largest economies remain in competition for leadership
China will speed up free trade talks this year

China will step up the pace of its free trade negotiations this year as it seeks to build stronger trade ties with more partners and reduce the dominance of the United States' currency in the global trading system. Zhang Shaogang, director-general of the department of international trade and economic affairs at the Ministry of Commerce, said China will launch FTA negotiations with Israel and initiate FTA feasibility studies with Colombia, India, Nepal, Maldives and South Pacific island nations like Fiji, Vanuatu and Papua New Guinea this year. China has signed 12 free trade agreements with countries or regional blocs including Switzerland, New Zealand and the Association of Southeast Asian Nations, and finalized negotiations on FTAs with Australia and South Korea in 2014. Zhang said the China-South Korea FTA will provide the impetus for further progress on the China-Japan-South Korea FTA and the groundwork for a better regional business partnership this year. "The rapid development of the US-led Trans-Pacific Partnership has led to a dramatic change in the global market," said Zhang. "China has no choice but to accelerate the pace of inking FTAs with more trading partners." The Ministry of Commerce has indicated that it would step up negotiations on a free-trade agreement with the Gulf Cooperation Council this year. Zhang said China is also willing to conduct constructive business negotiations with countries along the Silk Road Economic Belt and 21st Century Maritime Silk Road.

Though China's trade growth in 2014 is expected to have been higher than the global average, and that of other key economies, it will continue to face trade risks and uncertainties as downside pressures persist in 2015, said a recent report published by the Beijing-based Chinese Academy of International Trade and Economic Cooperation. Zhao Zhongxiu, a trade professor at the University of International Business and Economics in Beijing, said the TPP is dominated by the US currency and its financial policies and can to a certain extent consolidate the position of the dollar as a global currency through trade between its members. "Under such circumstances, the financial resources of the 12 TPP members will be integrated and indirectly controlled by the US. This is something that will hurt China's efforts to boost exports and promote the use of its currency globally," Zhao said.

At the recent Asia Pacific Economic Cooperation meeting in Beijing, leaders of 21 member economies had agreed to start work on a Free Trade Area in the Asia-Pacific region. Work on this is believed to have commenced already and a report with detailed recommendations is expected by the end of 2016, Gu Xuebin, vice-president of the Chinese Academy of International Trade and Economic Cooperation, said: "The FTAAP, if successfully negotiated, will put an end to the economic fragmentation in the Asia-Pacific region that directly undermines economic integration." More than 50 bilateral, trilateral and multilateral agreements covering free trade zones had been implemented by economies in the Asia-Pacific region by the end of 2014. The FTAAP concept was proposed in 2004 and written into the declaration of the APEC economic leaders' meeting in 2006. China proposed the
preparation of a feasibility study in 2014.

Sun Yuanjiang, deputy director-general of the department of international trade and economic affairs at the Ministry of Commerce, said since the FTAAP involves lengthy preparations and negotiations, China will work with all parties concerned to conclude negotiations on the regional comprehensive economic partnership before the end of this year to boost trade volume with the ASEAN markets. The US is not participating, or qualified to participate, in the RCEP talks because this would require it to sign a free-trade agreement with ASEAN.

Source: ZHONG NAN: China will speed up free trade talks this year, China Daily, 2015-01-15

Healthy growth for foreign trade figures

Imports and exports amounted to $4.3 trillion for 2014, up by 3.4 percent annually, as China's trade contributed more to world economic growth, a senior official told the first weekly policy briefing of the State Council on Jan 16. "It is estimated that the contribution of foreign trade to China's economic growth this year would be around 10.5 percent, the highest since 2008," said Zhong Shan, China International Trade Representative and Vice-Commerce Minister. According to Zhong, barring non-comparable factors, the annual growth rate of imports and exports reached 6.1 percent, with exports growing by 8.7 percent and imports by 3.3 percent. China has maintained its position as the world's largest trader of goods, with its global exports reaching 12.2 percent last year, he said, noting that the figure is 0.5 percentage points higher than for 2013.

The vice-minister said China's trade structure was further optimized last year, with foreign trade in the regions becoming more balanced. "The trade increment of the central and western regions of China overtook that for the eastern regions for the first time in 20 years," Zhong said. Manufacturing of equipment has become an important export growth area, as shipments of railway locomotives and rolling stock grew by 20 percent with exports of communication equipment growing by 10 percent. China's trade services also grew rapidly last year, Zhong added.

The value of services imported and exported exceeded $580 billion for the year, up by more than 10 percent annually. The State Council announced a series of measures aimed at accelerating the development of trade in services at an executive meeting on Jan 14. Premier Li Keqiang chaired the meeting, which said that progress in this sector was important for China's policy of opening-up, as it creates jobs, and also helps cultivate new growth engines.

Source: Healthy growth for foreign trade figures, 2015-01-16
http://english.gov.cn/news/policy_briefings/2015/01/16/content_281475039981533.htm

Market, not government, causes China's trade surplus

BEIJING -- China's soaring trade surplus is largely due to slumping prices in imports, and the big trade gap was not intentional, a commerce official said on Friday. "The government encourages imports," Vice Commerce Minister Zhong Shan said at a press conference, adding that the market should not read too much into the trade surplus numbers. Denominated in Chinese yuan, exports increased 4.9 percent last year, while imports fell 0.6 percent as sliding global oil and commodities prices reduced import costs. The foreign trade surplus widened to 45.9 percent year on year, or 2.35 trillion yuan, official figures showed. Zhong said the surplus in goods trade was due to made-in-China products being strong competitively in the global market. However, in terms of service trade, China posted a huge deficit. The detailed figures reflect the respective competitiveness of China's manufacturing and services sectors in the global market, said the trade official. Therefore, the trade surplus is a result of market competition, rather than government intervention, Zhong said.

At the press conference, Zhong reiterated China's stance on its opposition to trade protectionism and its preference for consultation and negotiation to settle trade friction. But China will continue to adopt an open attitude to the issues and strengthen exchanges and cooperation with other countries, as a healthy and sustainable trade environment serves all parties' interests, Zhong said.

Source: Xinhua: Market, not government, causes China's trade surplus, 2015-01-17
China's foreign service trade deficit grows

BEIJING - China continued to see a bigger deficit in foreign service trade in December, data from the State Administration of Foreign Exchange (SAFE) showed on Tuesday. The country's service trade deficit amounted to 143.9 billion yuan ($23.4 billion) in December, widening from 127.9 billion yuan in November, according to the SAFE. For the whole of 2014, the aggregate service trade deficit totaled 1.216 trillion yuan, with 1.138 trillion yuan in revenues and 2.354 trillion yuan in spending. The SAFE started to issue monthly data on services trade in January 2014 to improve the transparency of balance of payments statistics. China's State Council earlier this month announced a string of measures to accelerate the development of trade in services, including gradually opening up business in finance, education, culture and medical treatment.

Source: Xinhua: Investment law must address M&A lacunae, China Daily, 2015-01-27

China turns to rail, nuclear to energize exports

China will lift sluggish exports by promoting rail, nuclear power and surplus products in overseas markets after trade growth fell short of its target last year. The exploration of overseas markets for railways, nuclear power and other sectors involving the use of large-scale equipment will be upgraded through joint-ventures and public-private partnerships, top members of the State Council decided on Wednesday. Premier Li Keqiang presided over the executive meeting. Industrial resources in those sectors should be integrated, according to a statement released after the meeting. The decision was in line with the ongoing merger of the country's top two train makers, hinting that a similar overhaul in related industries could be possible. Industries with overcapacity, including steel, nonferrous smelting, building materials and textiles, are also included in China's latest plan to reach out to overseas markets, the statement said. The statement said the plan will become another engine to drive the country's exports and help with needed upgrading of domestic industries. China has relied heavily on the export of large-scale equipment, such as railways and nuclear power facilities, to boost trade after missing its growth target for the third consecutive year. The country's foreign trade rose by 3.4 percent last year, far behind its target of 7 percent. Exports grew by 4.9 percent last year to 14.4 trillion yuan ($2.32 trillion), and the surplus widened to 2.35 trillion yuan.

In its latest move, China CNR Corp, a leading manufacturer of locomotives in China, announced an export contract for subway trains with the United States on Jan 27. It was the first foray into the US rail transit market, Xinhua News Agency reported. The manufacturer will sell 284 subway trains worth 4.12 billion yuan to equip Red and Orange subway lines in Boston, the announcement said. Wang Mengshu, an academic at the Chinese Academy of Engineering who specializes in rail and infrastructure projects, said China boasts the longest rail lines in the world—proof of its technological success—and Chinese rail companies’ prices are more competitive than Japanese and German companies. "Railway exports invigorate the whole industrial chain, including the manufacturing of locomotives, parts and signals," he said. Chinese companies are more competitive since they are able to offer a whole package of services, including infrastructure construction, locomotive manufacturing, maintenance and professional training, Wang said.

Wednesday's executive meeting also brought a decision to build more business incubators to provide logistics, legal and accounting services for startup companies. It asked local governments to streamline the administrative procedures for small and micro companies, and to provide offices at low cost or subsidize their rent, Internet and other fixed expenses. The meeting pledged to use government-backed funds and tax exemptions to support early-stage scientific and technological companies, which often face difficulties in borrowing capital because of their lack of tangible assets. Angel investors, crowd funding, a regional stock exchange market and intellectual property mortgages will also be encouraged to support startup businesses.

Source: ZHAO YINAN: China turns to rail, nuclear to energize exports, China Daily, 2015-01-29

China's evolutionary road
The growing competition for China's limited pool of highly skilled workers and the country's new stringent regulations are creating major obstacles for foreign companies in China, says Stuart Fuller, global managing partner at King & Wood Mallesons. "You have to step back and look at the profound changes happening across China economically, in a government sense and in society," says Fuller, who added that many of the challenges facing foreign enterprises today were hard to imagine five years ago. A report by the global law firm last month, called Doing Business in China, quotes a 2013 survey by the American Chamber of Commerce in China that says labor costs and a shortage of qualified employees continue to be the key challenges for foreign businesses. That is a far cry from 2009, when the top concerns were more basic issues, such as having the know-how to obtain the right licenses and getting to know the domestic markets.

Fuller, who became global managing partner in 2012 as a result of the merger between the Chinese law firm King & Wood and the Australian law firm Mallesons, says foreign businesses need to find flexible and innovative ways to adapt to China's evolving markets. The growing challenge of finding highly skilled workers in China is something that Fuller himself recognizes on a daily basis. This issue, he adds, is particularly important in the services sector. The ideal employee in the service sector is not one who simply learns how to do business the Western way from their Western manager, but is able to lead a China market strategy using an understanding of the domestic market, Fuller says. "Many Western companies went to China five years ago, trying to run their businesses with their own people, but now they're saying, 'you can't fly in expats to run the China operation when they don't understand how to do business there. It just won't work,'" he explains. This changing attitude has created a demand for Chinese employees who have an understanding of both Western businesses and the Chinese market. This group of people is also increasingly sought after by Chinese businesses as they look to expand abroad, he says.

But this rapid surge of demand far outweighs supply. China's talent pool is only just beginning to internationalize. It is important for foreign businesses to help cultivate young Chinese talent through secondment plans in which employees explore different career possibilities by temporarily changing roles within the same company. Fuller says King & Wood Mallesons often emphasizes this system at the firm.

Another factor in the battle for Chinese talent is the larger context of China's structural shift from a manufacturing-based economy to high-value added and consumption-driven growth. Manufacturing, which was a key market opportunity for Western businesses in China five years ago, is no longer a unique selling point as the country's labor costs increase. Many manufacturers, Chinese and Western, are now shifting their production base to countries such as Vietnam and India, where costs are lower. Instead, major opportunities for foreign companies in China now exist in consumption-based sectors, like financial services, education, healthcare and pensions, where regulations are gradually being loosened to allow for foreign entrants, Fuller says. One example is the development of the China (Shanghai) Pilot Free Trade Zone, a designated area used as a testing ground for China's financial services reform policies. Within the zone, foreign firms find looser regulations on larger capital accounts, fewer barriers to entry and greater interest rate liberalization. These emerging opportunities mean that foreign businesses cannot simply train Chinese workers to make a product using global standards. Instead, they have to solicit the help of their Chinese employees to understand the consumer market, he says. "In the Chinese market, the way customers buy products and the way clients expect things to be done are different. So your approach needs to be consistent but also flexible according to local market needs," Fuller says. In recent times, a more controversial challenge has arisen: China's antitrust laws, which have been in place since 2008, and what some think is discrimination against foreign firms. In November, the Chinese government charged Microsoft $140 million in back taxes and interest. Qualcomm, the US semiconductor company, is currently under investigation by the National Development and Reform Commission and reportedly faces a fine of $1 billion. Fuller says it is understandable for the Chinese government to enforce its antitrust laws because such laws are essential in protecting consumer rights and market efficiency. He says these laws are likely being enforced today because regulators did not have the capacity or the knowledge to enforce them strictly a few years earlier when the market was less mature. "The challenge in China is that it has had so much change in such a short space of time, including the freeing up of regulations and laws being
enforced. The rate of change is significant and people need time to react to changes.” He says he is optimistic about the Chinese government's ability to reduce regulatory bureaucracy, citing the example of China's leaders' vow to streamline the nation's system of government approvals, specifically to reduce current government approval powers by one-third. Fuller also says the new laws are needed to address new emerging challenges, citing the array of new laws in the global banking industry. China's enforcement of antitrust laws has therefore received far greater attention because of the "heightened visibility of what's happening in China".

"Everyone is watching China closely” Fuller says he believes this high degree of attention to China is due to its amazing transformation over the past 30 years. He says it is impossible to find evidence to back up claims that Chinese regulators are willfully targeting foreign companies because there are no statistics available on how many Western companies are being investigated in comparison to Chinese ones.

Source: CECILY LIU: China's evolutionary road, China Daily, 2015-01-5

Investment law must address M&A lacunae

Though the draft of the proposed new Foreign Investment Law aims to significantly reduce the barriers for foreign investment in China, foreign companies are still apprehensive about the provisions relating to mergers and acquisitions, said a report released on Tuesday by global consulting firm, the Boston Consulting Group. "From a commercial perspective, foreign acquirers have a batch of things to consider besides regulatory approval like: how to add value to justify the purchase price, and how to do post-merger integration. So we cannot expect the number of foreign M&As to increase overnight," said Jeff Walters, partner and managing director of BCG. According to the draft, when the law comes into effect, most foreign investment, including setting up a new company, will no longer need pre-approval from the State Council. The only exception is where a foreign party intends to invest in one of the restricted industries on the negative list—likely to be based on the Catalogue of Restricted and Prohibited Industries for Foreign Investment. The previous case-by-case approval process would be replaced by a requirement to submit reports on each phase of the investment. A national security review framework will be established with the authority to veto a proposed deal. Applicants cannot appeal the veto decision, the draft said. "Any move to help clarify the regulatory approval process and simplify it would help create a better environment for foreign acquisitions in China. The transition to a negative-list management would also help remove several uncertainties," said Walters.

However, the exact reductions to the previous "restricted" and "prohibited" industry list are still not clear, and that makes it difficult for observers to accurately assess the specific impact. But Walters cautioned that even if some industries, such as finance and Internet, opened a larger door, it would require additional conditions for foreign acquirers to actually consider buyouts, because there are few precedents. The immense challenges posed for foreign M&As prompted BCG to produce a report, he said. Noting existing challenges, however, the report said investors should not be intimidated by them. Value-adding through synergies could be realized, as long as "you do things right".

Common misperceptions about M&As in China:

· Westerners often misinterpret the impact of the Chinese cultural phenomenon of guanxi, which they misconstrue as a murky system of "connections" or "relationships", on the regulatory approval process. Guanxi is actually rooted in empathy—the concern for someone else's interests when taking an action of one's own. Thus, each regulatory body will be looking for signs that an acquiring company understands, and has a plan for addressing, the social as well as economic considerations that fall within the parameters of the regulator's authority.

· The acquiring company should not think that it can fully delegate the management of the approval process to a third party. The authorities will want to see that the company is actively involved in the deal.

· Leaving critical decisions until late in the acquisition process. By this time, the acquiring company has already missed important opportunities to work with the target company to build consensus on such questions as company vision, achieving synergies, and the approach to merging operations.
Majority-share ownership confers control. This is not always the case in China. A majority share may win more board seats, but in reality the board may exert very little influence over the company's operations. The managing director and the general manager often have the authority to dictate operations.

Source: ZHENG YANGPENG: Investment law must address M&A lacunae, China Daily, 2015-01-28

D.C. Real Estate Continues Steady Decline among Foreign Investors as N.Y. Deposes London as Top Global City: China Expected to Become Top U.S. Investor

Annual Survey taken among the members of the Association of Foreign Investors in Real Estate (AFIRE) and released today. AFIRE member firms have an estimated $2 trillion or more in real estate assets under management globally. The survey, was conducted in the fourth quarter of 2014 by the James A. Graaskamp Center for Real Estate, Wisconsin School of Business.

"With a stable and transparent market and an economy that appears to be steadily improving without the fits and starts experienced in other regions, the U.S. has become the first stop for foreign real estate investors. And with the continued creation of wealth in China, it is not surprising that they, along with other nationalities, are voting with their 'dollars.'" U.S. Property Trends Investors ranked multi-family as their preferred property type followed by industrial, office, retail, and hotel. Survey Snapshot Top Five Global Cities 1.New York (#2 last year) 2.London (#1 last year) 3.San Francisco (#3 last year) 4.Tokyo (#6 last year, tied with Madrid) 5.Madrid (#6 last year, tied with Tokyo) Top Five U.S. Cities 1.New York (#1 last year) 2.San Francisco (#2 last year) 3.Houston (#3 last year) 4.Los Angeles (#5 last year) 5.Washington, DC (#4 last year) Most Stable and Secure Countries for Foreign Investment 1.United States (#1 last year) 2.Germany (#2 last year, tied with the United Kingdom) 3.United Kingdom (#3 last year, tied with Germany) 4.Canada (#4 last year) 5.Switzerland (#5 last year) Countries Providing the Best Opportunity for Capital Appreciation 1.United States (#1 last year) 2.Spain (#2 last year) 3.United Kingdom (#3 last year, tied with China) 4.China (# 3 last year, tied with the United Kingdom) 5.Brazil (unranked last year) Top Five Emerging Countries 1.Brazil (#2 last year) 2.China (#1 last year) 3.Mexico (#3 last year) 4.


China's outbound investment set to pass FDI

China's outbound investments will soon outgrow inward foreign direct investment (FDI), said Zhong Shan, China's International Trade Representative and vice-minister of Commerce at the State Council's first weekly briefing on Jan 16. Nonfinancial outward direct investment reached $102.9 billion, up 14.1 percent from 2013, the first time it topped the $100 billion mark, maintaining China's position as the third-largest global outbound investor, Zhong said. On current trends, China's outward investment is set to continue to grow faster than its utilization of foreign investment, which will make China a net investor, he added.

In 2014, China's actual use of foreign investment stood at $119.6 billion, an increase of 1.7 percent over the previous year, growing faster than other major economies, including the United States, the European Union, Russia and Brazil. This marked the 23rd consecutive year that China was the leading developing country in attracting foreign investment, according to Zhong. Investment in developed countries from China also saw rapid growth. China's investment in the US rose by 23.9 percent, and in the EU by 1.7 fold, both much faster than overall outward investment growth, Zhong said. China spent 64.6 percent of its total investments in the service sector, with investment in the sector up 27.1 percent than that of 2013, while investment in mining dropped by 4.1 percent, representing a declined share of 18.8 percent, based on Zhong's report. "Going forward, we will focus on implementing the strategy of 'One Belt, One Road' as we further step up outbound investment and encourage the relocation of advantageous industries and excess capacity of countries along 'One Belt, One Road,'" Zhong said.

Source: China's outbound investment set to pass FDI, 2015-01-16
http://english.gov.cn/news/policy_briefings/2015/01/16/content_281475039991506.htm
Ambassador looks for action on reforms

Firmly implementing reform measures outlined during the Third Plenum of the 18th Central Committee of the Communist Party of China in 2013 will thus become crucial. Such changes should include ensuring that local and foreign companies are treated as equals, removing market barriers and ensuring that intellectual property rights are protected. These issues have gained particular importance as China's economy moves into a new stage, he says. "High-tech companies want to make sure their IPR rights are protected, their technologies are protected, that their returns are not endangered by unfair and illegal business practices. Implementing the policy will not only settle China's course, but also have a big bearing on the global economy and the economic relationship between China and the EU.


China's 'new normal' of investment brings new opportunity for win-win

BEIJING - For the first time in its history, China has become a net capital exporter with outbound direct investment outnumbering foreign direct investment in 2014, presenting new opportunities for win-win cooperation with the rest of the world. Chinese investors channeled capital into 6,128 overseas firms in 156 countries and regions in 2014, with outbound investment reaching $102.89 billion, up 14.1 percent from a year earlier, according to a press conference by the Ministry of Commerce (MOC) on Wednesday. Growth was much faster than the 1.7 percent gain recorded in foreign direct investment, which was $119.6 billion. This is the first time the two-way nominal capital flows have been near a balance. "If the Chinese firms' investment through third parties were included, the total ODI volume would reach about $140 billion, which means China is already a net outbound investor," said Shen Danyang, spokesman with MOC.

The slowdown comes at a vulnerable time for the world economy - the eurozone is still at risk of another recession, the Abenomics has failed to drag Japan out of the mire, and investors are pulling out of emerging market funds. Policymakers and investors were not prepared for a reality that after more than three decades on steroids, the world's second-largest economy has been transitioned to a "new normal" of slower growth. The market, crazy about speed and figures, seems to have missed the reality that the Chinese economy is healthier under the "new normal" featuring positive trends of stable growth, an optimized structure, enhanced quality and improved social welfare. The Chinese economy, shifting focus to consumption and investment from polluting heavy industry and manufacturing via complex reforms, will continue to function as a vital ballast for the world economy. Besides, Beijing aims to create an open capital market by pushing ahead with a broad range of financial reforms to allow more foreign investment and encourage Chinese players to invest abroad. The more transparent and efficient allocation of the Chinese capital will have a positive effect on the global market. In the process, China has proposed or promoted a host of initiatives and plans, such as the initiatives on the Silk Road Economic Zone, the 21st Century Maritime Silk Road, the BRICS Development Bank and the Asian Infrastructure Investment Bank. It is fair to say that China's capital export is creating life blood for the global economy to avoid the risk of declining. It is estimated that in the next decade, China's outbound investment will total $1,250 billion, giving more impetus to the worlds' economic growth.

Source: Xinhua: China's 'new normal' of investment brings new opportunity for win-win, 2015-01-21

China sees 55% rise in M&A

Merger and acquisitions activity reached a record high in China last year, with the number of deals amounting to 6,899 and the total value surging to $407 billion, both of which went up by around 55 percent, according to the latest report released by PwC. Technology, consumer-related and financial services were the most active sectors in terms of M&A, partly reflecting the development of the economy. Real estate remained the biggest sector by value.
Foreign-inbound strategic M&A also hit a record high in value, reaching nearly $25 billion and led by the increase in banking and financial services sectors.

The year 2014 was also a banner year for new investments by private equities, with the announced deal volume went up by 51 percent to reach a record high of 593 and the announced value surged 101 percent to reach $73.2 billion. It was also the year that PEs participated in State-owned enterprises' reform at scale. PEs also looked for overseas businesses which have a strong China-angle in their growth strategies in 2014, with the outbound deal value reaching a record high of $14.3 billion.

Source: Shi Jing: China sees 55% rise in M&A, China Daily, 2015-01-27