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SPECIAL REPORT

Rural Financial Service to be Improved and Innovated

SURVEY

China's Express Industry Surges

Eric Y. T. Chuo, Global Chairman & CEO of HIWIN Group, an Innovative Precision Machinery Manufacturer

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POLICIES

PBOC guidelines to boost foreign trade

China's central bank issued guiding opinions to support stable growth of foreign trade. The People's Bank of China said in a statement published on its website that it will encourage financial institutions in the banking sector to broaden funding channels for Chinese enterprises, innovate financial products and services, and further expand financing through export credit insurance, chinadaily.com.cn reported.

The PBOC will support qualified financial leasing companies to expand funding channels by issuing financial bonds and participating in pilot projects for credit asset securitization. Apart from simplifying cross-border trading and yuan settlement procedure for direct investment, the central bank will also support cooperation among financial institutions and payment service providers on cross-border yuan settlement.

Multinational corporations are allowed to carry out centralized cross-border yuan fund operations, including two-way cross-border yuan cash pool business, according to regulations of the PBOC. Financial institutions can provide cross-border yuan settlement service for trade in goods and services developed by individuals based on the institutions' knowledge of the clients and due diligence check.

Small firms get a break on VAT

The Ministry of Finance announced that the value-added tax rate will be a flat 3 percent for many small businesses, effective July 1, according to China Daily.

The 4 percent and 6 percent rates were eliminated to make the system fairer, the ministry said.

An executive meeting of the State Council, the cabinet, said last week the move is expected to reduce companies' tax burden by about 24 billion yuan ($3.84 billion) a year.

Zhang Bin, a tax policy researcher at the Chinese Academy of Social Sciences, said the move will simplify tax collection and lower the tax burden for some companies, so it's good news for all.

At present, VAT rates range from 2 percent to 17 percent. The rate cut will mainly benefit the water sector, small hydropower facilities, building materials producers and biological products manufacturers, all of which now pay 6 percent VAT.

Also benefitting will be consignment stores, pawnshops and auction houses, which now pay a VAT rate of 4 percent.

This reform mainly targets small and medium-sized companies involved in the sale of certain commodities, he said, adding that the new policy won't mean much change for the shift from business tax to VAT, because the companies are already subject to VAT and generally not eligible to claim VAT credits.

China introduces ratings on local govt bonds

Credit ratings will be introduced to a local government bond-issuance pilot, in a

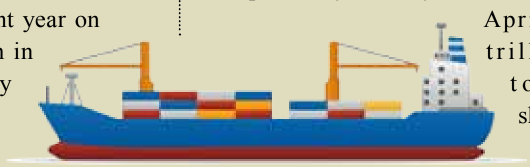
FIGURES

6.7%

Foreign direct investment (FDI) into the Chinese mainland fell 6.7 percent year on year to $8.6 billion in May, the Ministry of Commerce said.

0.5%

China's foreign trade volume declined 0.5 percent year on year from January to April to $1.32 trillion, customs data showed.



12.5%

China's retail sales grew 12.5 percent year on year to 2.13 trillion yuan ($348.36 billion) in May, the National Bureau of Statistics (NBS) said.

move to enhance risk prevention, the Ministry of Finance announced, Xinhua News Agency reported.

The ratings will come in nine levels, which are AAA, AA, A, BBB, BB, B, CCC, CC and C. The AAA rating indicates an extremely low default risk, with C suggesting inability to repay debts, according to a document released by the ministry.

The new rule came after four more local governments — Beijing, Jiangxi, Ningxia and Qingdao — were allowed to issue bonds directly in May. A total of 10 local governments are authorized for independent bond issuance and repayment. Bond-issuance by local government was initiated in October 2011.

Local governments are required to publicize credit ratings for their bonds, the local economic development, fiscal income and expenditures, as well as the liabilities, according to the new rule.

QUOTES

"China's economy is not heading to a hard landing. As long as China moves in the right direction, makes good use of Oriental wisdom and draws on Western experiences, its economy will keep growing at a moderate to high pace in the long run."

—— Chinese Premier Li Keqiang

"The Chinese government is encouraging investment in many areas for the sake of economic growth, as investment still plays a critical role for the country. More non-public capital is welcome in areas that could stabilize the economy."

—— Huang Min, head of fixed-asset investment department with the National Development and Reform Commission (NDRC)

"Increased overseas patent filings from Chinese applicants showed a positive sign for China's innovation and economy. A changing picture was observed as patent filings abroad by Chinese companies and research institutes have been growing rapidly."

—— Carsten Fink, chief economist of the World Intellectual Property Organization (WIPO)

4t

China's foreign exchange reserves have risen to around $4 trillion, said a foreign exchange official.

2.5%

China's consumer price index (CPI), a main gauge of inflation, increased 2.5 percent year on year in May, up from 1.8 percent in the previous month, official data showed.

1.4%

China's producer price index (PPI) contracted 1.4 percent year on year in May, following a 2-percent decline in April, data from the NBS showed.

POLICIES

China announces details of targeted RRR cuts

China's central bank announced that it will cut the reserve requirement ratio (RRR) by 0.5 percentage points for banks engaged in proportionate lending to agricultural and small firms, Xinhua reported.

The cut took effect from June 16, said a statement released by the People's Bank of China (PBOC), the central bank.

The statement provided the details following a cabinet decision late last month to launch narrow-based RRR cuts for banks engaged in lending to agriculture-related businesses and small and micro-sized companies, in efforts to enhance financial support to the real economy.

Banks eligible for the cut include those whose new loans to agriculture-related entities accounted for at least half of their total new lending in the last fiscal year; banks whose outstanding loans to agriculture-related entities accounted for at least 30 percent of their total outstanding loans in the last fiscal year will also be qualified for the cut, the statement said. The same rule applies to banks engaged in lending to small and micro-sized companies, according to the central bank.

Regulator to streamline crowd funding in China

China Securities Regulatory Commission (CSRC) is mulling plans to regulate crowd funding, an online financing vehicle, to ward off risks, according to China Business News on June 16, a move that will put the brakes on the booming Internet finance industry.

Industry insiders told the newspaper that CSRC regulations on peer-to-peer and crowd funding services are expected to be released earlier than those of the country's banking regulatory commission, as CSRC Chairman Xiao Gang has launched field investigations on the industry.

Equity-based crowd funding as a fledgling business is believed to be another innovative financing tool designed to help start-ups and small businesses to gain a foothold in the capital market. And the attitude of the CSRC on that is positive, the report said.

Baby formula sector revamp soon

China unveiled the blueprint for consolidation of its fragmented infant formula industry and indicated that the sector would have 10 manufacturers with annual sales revenue of more than 2 billion yuan ($160 million) by 2015, China Daily reported.

The sectoral revamp would be undertaken in two phases, said Gao Fu, an inspector in the Ministry of Industry and Information

FIGURES

10%

The value-added output of China's large light industrial firms is expected to grow 10 percent year on year in 2014, according to the China National Light Industry Council.

7.2%

China's fiscal revenue continued to grow in May amid economic stabilization, rising 7.2 percent year on year to reach 1.37 trillion yuan ($222.74 billion), the Ministry of Finance said.

5.2%

China's power consumption rose 5.2 percent in the first five months from a year earlier, official data showed.

Technology. According to the plan by 2015, the top 10 domestic baby formula manufacturers will account for 65 percent of the market share, up from the current 45 percent. By 2018, there will be three to five manufacturers with more than 5 billion yuan in annual sales revenue. The market share of the top 10 companies will grow to 80 percent in the same period.

Currently, six of the 128 baby formula manufacturers in China have annual revenue of more than 2 billion yuan.

The main highlight of the plan, however, is to ensure that baby formula manufacturers use the raw milk produced on farms owned and controlled by them. Ministry officials indicated that by using advanced quality control techniques, the companies can also ensure that they get better returns.

QUOTES

“China needs to turn to services for trade growth, as it offers high added value and causes less environmental damage. To increase China's competitiveness in world trade and avoid the middle-income trap, the key is to develop the service trade.”

—— Yi Xiaozhun, deputy director-general of the World Trade Organization

“China should focus on sustainable and healthy economic growth in the medium term. There is still a long way to go in exploiting the service sector, improving the financial system, inclusive growth, environmental protection, and a balance between growth quality and speed.”

—— Lin Jianhai, secretary of the International Monetary Fund (IMF)

“China's growth will moderate in the medium term as the economy continues to rebalance gradually, while policy responses should focus on risks including shadow banking andlocal government debt.”

—— The World Bank

12.6%

China's lottery sales rose 12.6 percent year on year to 30.79 billion yuan ($5 billion) in May, new data showed.

No. 2

China is the world's second largest carbon trading market following the EU, according to official data.

1.2%

Trade between China and the Association of Southeast Asian Nations (ASEAN) grew 1.2 percent year on year to 1.12 trillion yuan ($181.75 billion) in the first five months of this year, Chinese customs data showed.

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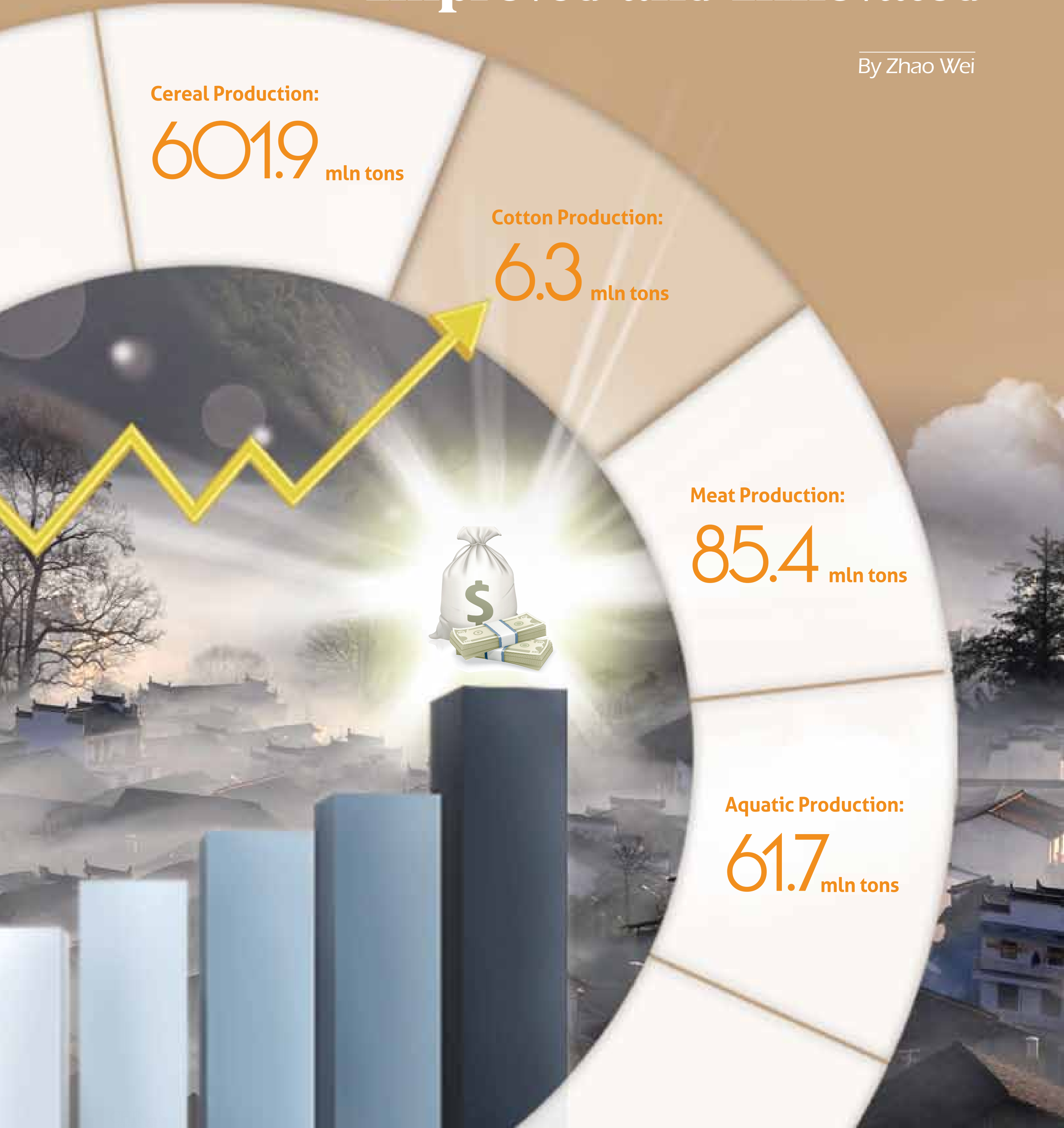
Rural Financial Service to be Improved and Innovated

By Zhao Wei



With the advancement of urbanization, the financial system in the rural areas calls for reform.

The country's financial sector has long been dominated by the state banks, which have understandably focused their businesses on profitable clients in major cities. However, the government has vowed to boost financial services for farmers, agriculture and the rural areas. It can be expected that related policies will be further expanded to tilt the financial sector so it meets the numerous and growing financing needs in rural areas.

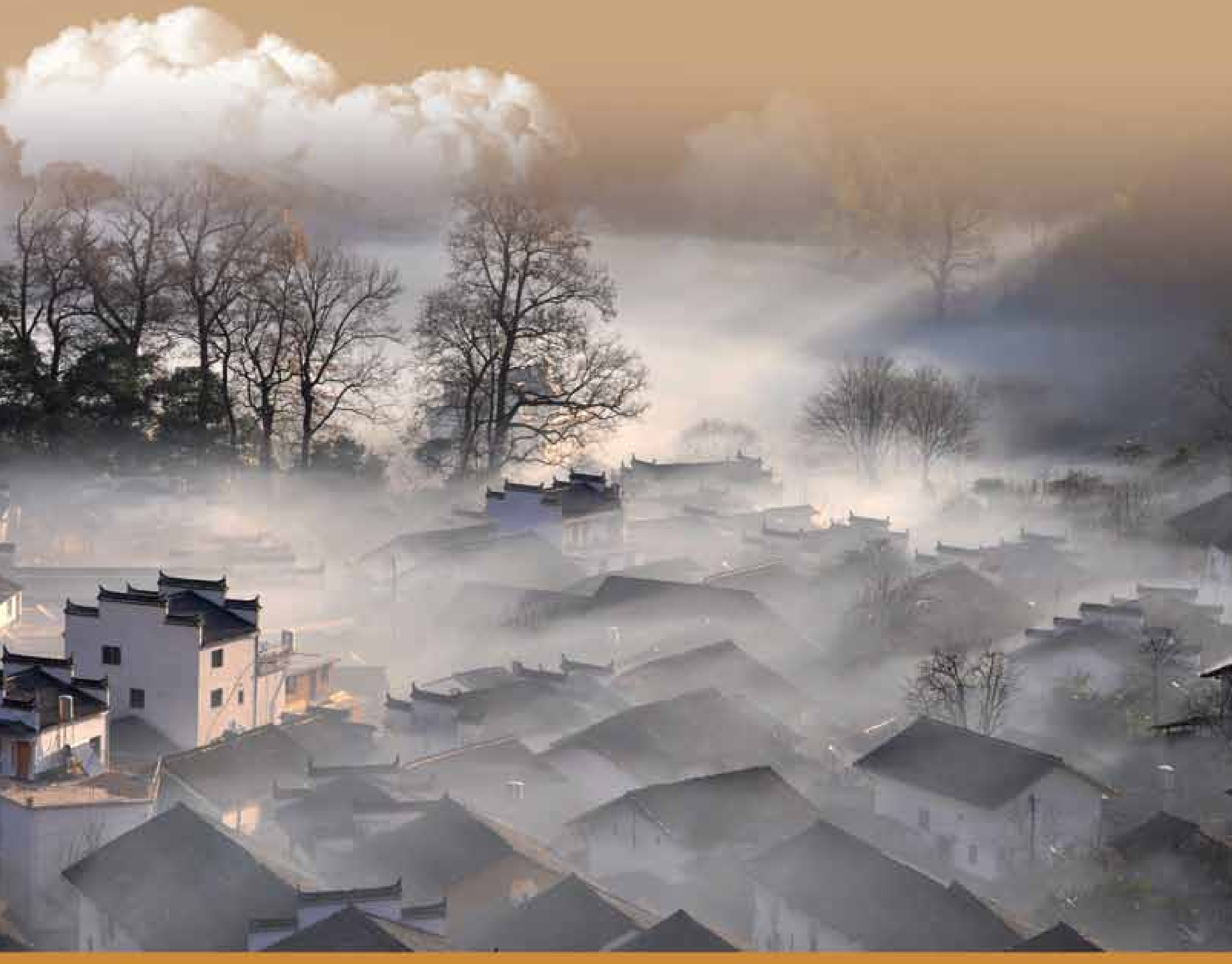
Statistics show that by the end of 2012 the rural areas had 11.57 million of company settlement accounts, more than 10,000 accounts from small- and medium-sized companies, RMB 360 million of individual settlement, 1.3 billion of various kinds of bank cards, 2.5763 million sets of POS machines, 0.66 million of bank branches and 1.148 billion of documented farmer customers.

The financial market in rural areas promises huge potential and farmers' needs are evolving from the traditional banking services — deposit, loan and remittance. The quite mature banking products and services in the urban areas such as securities, issuance, credit loan and financial management are also promising in the rural areas.

So far, there are around 2,500 companies in the domestic stock market, among which only 60 are from the farming sector. The inconsistence between the financial services and farmers' needs has greatly impacted the development of the rural areas.

The financial system should have better outreach to households, consumers, farmers, and micro, small, and medium agricultural enterprises (MSMEs), and be able to provide long-term and risk capital to support the upgrading and expansion of incumbent firms and the emergence and growth of new firms in agro industry.

The *Special Report* in this issue will analyze the status quo of the financial system in the domestic rural areas from the perspective of policies, capital M&A, loan channels and farming issuance, which will serve as a reference for establishing an inclusive financial system in the agriculture sector.



Favorable Policies: Essential in the Course of Reform

By Daphne Cui

CBRC approved to set village/town banks in 2006, signaling the emerging of a new mode for rural financial services.

A well-functioning financial system in rural areas is essential in China's drive to become a harmonious and high-income society. The current financial service related to the agricultural industry needs to be further upgraded to facilitate the production and circulation of agricultural commodities.

To solve the problems in the rural areas such as poor coverage of bank branches, inadequate capital supply and insufficient competition, China Banking Regulatory Commission (CBRC) issued on December 20, 2006 Opinions on Adjusting Policy for Banking Financial Agencies to Access the Rural Areas in Order to Better Support the Construction of Socialism New Countryside. This policy aims to establish a flexible and efficient financial service system with diversified investments and wide coverage and to build a mature rural financial service network featuring clear responsibilities, satisfactory services and proper supervision, which will improve financial services in the rural areas and lend more support to the construction of a socialism new countryside.

On May 13, 2010, the State Council published Opinions on Encouraging and Channeling the Sound Development of Private Investments to support private investments to be involved in the establishment of such financial agencies as village/town banks, loan companies and rural fund cooperatives. The policy also lowers the minimum capital contribution ratio for village/town banks or community banks, simplifies bad debt writing off procedures, removing restriction on shareholding ratio for small loan companies and grant similar financial subsidies to small loan companies engaging in farming businesses just as the village/town banks.

On May 26, 2012, CBRC issued Opinions on Encouraging and Channeling Private Investments to Enter the Banking Sector to support private investments to enter the banking sector just as other capitals via such approaches as start-up, share subscription, equity transfer as well as acquisition and reorganization. According to the policy, private companies are encouraged to participate in commercial banks' capital and stock expansion as well as reorganization; eligible farming-related companies including leading farming companies and specialized farmer cooperatives are supported to participate in shareholding reform of the rural credit cooperatives or capital and stock expansion of the rural commercial banks; private companies are encouraged for the establishment or capital and stock expansion of village/town banks; the minimum shareholding ratio for the dominating initiator among village/town banks is lowered to 15% from 20%.

On April 16 in 2014, Premier Li Keqiang proposed at the State Council Executive Meeting the initiatives of financial services to support the development of agriculture, farmers and the rural areas. According to Premier Li Keqiang, the reform needs to be implemented in the following perspectives.

First, to diversify the financial service providers in the rural areas. Financial agency reform is to be pushed forward step by step, village/town banks to be nurtured, shareholding ratio of private capital to be increased and farming investment fund to be encouraged for establishment, all of which will provide more services for agriculture, farmers and the rural areas.

Second, to increase capital input into farming-related businesses. Deposit reserve ratio will be lowered moderately for eligible county-level commercial banks and cooperative banks and the policy to reserve a certain ratio of deposits for local use will be implemented for county-level banks.

Third, to develop an inclusive financial system in the rural areas. The subsidized loan policy with the purpose of poverty alleviation will be improved and basic financial services are supposed to cover the remote villages and towns.

Fourth, to lend more credit support to the key areas of modern farming. It is supposed to improve the farming insurance and subsidy policy and to establish risk diversification regime.

Fifth, to cultivate the rural financial market. Financial leasing services will be conducted for farming machinery, innovated mortgage and guarantee mode will be launched and equity transaction market is to be set up in the rural areas.

Sixth, to give more policy support. It is supposed to improve financial incentives for farming-related loans, tax incentives for farmers' small-amount loans and compensation for rural credit loss, by which financial risks will be prevented. The Executive Meeting requires all the farming-related financial agencies to earnestly provide benefits for farmers.

In recent years, the unveiled new policies have created favorable external environment for the improvement and development of rural financial services. CBRC approved to set village/town banks in 2006, signaling the emerging of a new mode for rural financial services. More than 2,000 banks, various kinds of capital cooperatives, small-amount loan companies and all types of new financial agencies, along with the large number of traditional financial agencies, are making up the current financial service structure in the rural areas, which provides sufficient capitals and is to make contributions to the reform of financial system.

China: an **Active Player** in World Farming Market

By Wang Lili

As an active player in the global capital market, Chinese companies are making changes in the world farming market.

The website of the Voice of Russia reported that the Chinese companies are busy in the world farm product market with acquisition of farm product, food and beverage companies, for which over USD 12 billion was spent last year.

China's Sovereign Wealth Funds will turn to farming sector

China's Sovereign Wealth Funds are turning to the farming sector and global food supply, the British Financial Times reported.

Taking China Investment Corp. (CIC) for instance, its president Ding Xuedong told the media that with USD 650 billion asset CIC hopes to invest more on global farming and "various sections along the entire farming value chain".

About the controversy that Asia and Middle East were fighting for farm lands and food supply in the poor countries particularly in Africa, Ding said that CIC hopes to cooperate with governments from relevant countries and institutional investors.

Ding stressed that CIC had been committed to "supporting food security in the investment destinations and contributing to the local employment and economic growth". CIC will attach great importance on the farming sector, such as irrigation, land reclamation and animal feed production, which were ignored by large institutional investors.

CIC began to focus more on the farming sector from last year, which signals the fund's 2nd significant strategy change since its foundation in 2007.

China's farming enterprises are busy with M&A

The Chinese enterprises, mainly the state-run enterprises have made several considerable investments in overseas farm land and food production. Last year, Hong Kong Shuanghui Group spent USD 7 billion in acquiring Smithfield Food and its debts. COFCO, dominating 90% of the domestic wheat market, input nearly USD 3 billion in purchasing the Dutch dealer Nidera and its subsidiary Laibin Group. Besides, China bought large-scale granary in Argentina, sugar refinery in Brazil, flour mill in Central Europe and sunflower seed processing plant in South Africa and Ukraine.

China has leased farm land in Ukraine to produce food and meat. Ivan Oblinsev, member from Russia Union of Industrialists & Entrepreneurs revealed that China had also implemented similar strategies in Australia and Oceania, Russian media reported.

"China is a huge farm product market with rapid development. With a population of the world's 1/5, China only possesses farm land of the world's 9%. Then undoubtedly, China not only produces food in the countries which need inbound investments, but also purchases mature agricultural and industrial companies," said Oblinsev.

According to reports from the Voice of Russia, it is not easy for China to pursue agricultural security. Approximately 70% of the world's cereal trade is controlled by Big Four — Archer Daniels, Bunge, Cargill and Louis Dreyfus. In addition, Japan has also done well in the farming sector with the starting-from-scratch Mitsui having built its own "farm product empire" on five continents. Despite throat-cut competition, Oblinsev regards that it is still possible for China to grab a share.

"China may acquire one or two of the above-mentioned groups. Moreover, China is capable enough to purchase any world-class shares. The acquired companies may keep their original names but with controller changed. Accordingly, the supply chain may change. It now seems that China is interested in supplying farm products from the neighboring Russia," Oblinsev added.

Farming enterprises will gain great support to "go global"

Information from department concerned tells that since 2001 over 600 Chinese farming-related enterprises have invested in more than 100 countries and regions, among which Asia is the most popular destination followed by Africa, Europe, Oceania, North America and South America.

About how to encourage the farming enterprises to "go global", the central government has clearly proposed in the No. 1 document this year to cultivate large-scale grain, cotton and oil enterprises with world-level competitiveness and to support the domestic enterprises to conduct win-win farming production as well as imports & exports cooperation with overseas counterparts, especially the neighboring countries.

Not long ago, the National Development and Reform Commission and the Ministry of Agriculture invited experts and business representatives to discuss the revision of the "Report on Chinese enterprises' investments in overseas farming sector".

Such centrally-administered enterprises as COFCO and China National Agricultural Development Group as well as some local state-run enterprises including Chongqing Grain Group and Heilongjiang Land Reclamation have made considerable investments in overseas farming businesses. Private enterprises such as Tianjin Julong Group, Zhejiang Kasen Group, Qingdao Ruichang Cotton Co., Ltd. and New Hope Group have also tried to make investments abroad: Tianjin Julong plants over 100,000-hectare palm trees in Indonesia, from which the annual oil production accounts for 20% in the local market; Zhejiang Kasen possesses a 270,000-mu farm in Brazil for soybean planting; Qingdao Ruichang Cotton produces 100,000 tons of seed cotton in Africa every year; New Hope Group cooperates every year with at least 8 overseas agricultural and animal husbandry enterprises.

Overall speaking, among the over 600 farming enterprises going global, the majority is small- and medium-sized enterprises and the leading enterprises accounts for a small ratio. In addition, planting abroad is facing new challenges. In the year of 2013, the Brazil government enacted policies to control land acquisition by foreign investments and this year the policies become stricter. Argentina has also begun to control foreigners buying farm land.

How to seek an effective way of overseas investment has become an issue of great significance.

A Long Way to Go for the Promising Cooperative Financial System

By Echo Zhao

Capital is still a scarce resource in the rural areas.

However, traditional financial agencies cannot provide proper financial services for farmers, since farmers normally urgently and frequently demand small amount but decentralized capital. Moreover, it is difficult for the farmers to provide collaterals.

To address farmers' increasing capital demands, fund mutual cooperatives are emerging in the rural areas, which are facing great opportunities as well as challenges as a fresh financial service mode in the rural financial sector.

Inefficient financial services lead to banks' ignorance on the farming sector

"The existing financial agencies attach inadequate importance on the farming sector," said Jiang Weicheng, CEO of Shenzhen Qianhai Farming Product Exchange Co., Ltd., "The People's Bank of China has made sufficient research about how to use the farming fund, but in actual operation financial support for agriculture and farmers in the rural areas are still inadequate."

Many of the rural financial organizations restructured from the rural credit cooperatives have been inevitably caught into the dilemma of "growing strong" and "turning to the urban mode", of which the root cause lies in commercial finance's pursuit of maximum profit yet minimum risk.

Moreover, inadequate communication leads to banks' poor knowledge about farming companies' profitability.

"As a matter of fact, the farming companies have favorable financial leverage and assessment conditions. The financial institutions are supposed to learn more about the farming sector. Every quarter of this year, our company invites the management executives from one state-run bank to visit our company for better understanding of us," said Chang Qingshan, President of Shaanxi Shiyang Group.

Major Indicators in Commercial Banks in Q1, 2014

Unit: billion, %

Institution / Indicator	Large-scale commercial banks	Joint-stock commercial banks	City commercial banks	Rural commercial banks	Foreign-funded banks
Non-performing loans balance	377.1	121.5	61.9	79.5	6
Non-performing loans rate	1.03%	0.92%	0.94%	1.68%	0.52%
Return on assets	1.47%	1.25%	1.30%	1.60%	1.09%
Provision coverage	280.94%	254.28%	290.02%	257.69%	250.84%
Capital adequacy ratio	12.56%	10.55%	11.90%	13.29%	16.61%

Source: China Banking Regulatory Commission

In the past years, various kinds of fund cooperatives with considerable fund scale emerged rapidly in many places, which reflects farmers' badly urgent demand for loans and fills up the gap of the existing rural financial system to conveniently give loans to farmers.

At the State Council Executive Meeting held on April 16, Premier Li Keqiang stressed a string of ideas to boost financial development in the rural areas, such as "to implement the policy of putting a certain proportion of county-level banks' deposits into the local area". Therefore, lowering the deposit reserve ratio may enable the financial institutions in the rural area to release more loans, but cannot guarantee more credit resources into the agriculture sector and farmers in the rural areas. The overseas practices reveal that channeling credit resources cannot only rely on administrative measures but more on preferential policies and legal system. On the one hand, the government may support the farming-related business through finance discounts, subsidies and tax incentives; on the other hand, the legal system can be used to ensure the fund ratio into the farming-related businesses.

Cooperative finance: Concentrating on the farming sector

Under the new circumstance, people keep figuring out what kind of financial institution is really suitable for the rural areas.

The rural financial development history of different nations tells us that cooperative finance has exerted irreplaceable support to the farming sector and the participation of specialized farmer cooperatives into finance has set a new example for China to reform the financial system.

The success of the American-style community banks lies in the fact that many shareholders come from the local communities, who choose to serve back the communities apart from profit making. This serves as a reference for us to reform the rigid management regime of the below provincial-level rural credit cooperatives and to build a cooperative financial system with Chinese characteristics instead of fully turning into commercial finance.

Although China Banking Regulatory Commission (CBRC) has approved specialized farmer cooperatives as loan borrowers from financial institutions, it is difficult for most small specialized farmer cooperatives to obtain capital from standard financial institutions due to their poor strength and absence of collaterals.

In the past years, various kinds of fund cooperatives with considerable fund scale emerged rapidly in many places, which reflects farmers' badly urgent demand for loans and fills up the gap of the existing rural financial system to conveniently give loans to farmers. However, great risks pose to these fund cooperatives due to non-standard operation and poor experience. The absence of effective supervision will lead to random development of the fund cooperatives and in particularly great risks exist for out-of-scope deposit taking and loan granting.

"Specialized farmer cooperatives have two ways to participate into the rural financial service system, either getting involved when farmers and micro enterprises apply loans from rural financial institutions or providing financial services for farmers and micro enterprises via certain approaches," said professor He Guangwen from the Economics and Management College of the China Agricultural University. According to He, specialized farmer cooperatives may become shareholders of the village/town banks, set up small loan companies only for loan granting and organize fund cooperation among members.

"The specialized farmer cooperatives normally rely on the local communities, villages and industries with superior geographical location, good interpersonal relationship and deep understanding of members, therefore they can play an important role for the rural credit cooperatives to grant small loans to farmers, such as help rural credit cooperatives to conduct farmer economic investigation, credit grading, credit line granting as well as principal and interest collection," said He.

In spite of great risks and increasing cost, the farming-related financial sector is still promising as it is closely related with people's livelihood. In short, to enable the farming-related financial institutions to lend more support to the farming sector, farmers and rural areas, a series of effective mechanisms need to be built and optimization of equity structure and supervision mechanism will be helpful to establish more small yet efficient innovative financial organizations in the rural areas.

China's Agricultural Insurance is **Catching Up**

By Liang Tao

China's agricultural insurance premium, which experienced a sharp annual increase of 27.4% to RMB 30.7 billion, only represented about 0.5% of Chinese agricultural GDP in 2013.

China is one of the largest agricultural economies globally. According to the Statistics Report for 2013 published by the National Bureau of Statistics of China in February 2014 and data from the Food and Agriculture Organization of the United Nations, by the end of 2013, China's cereal, cotton, meat and aquatic production reached 601.9 million tons, 6.3 million tons, 85.4 million tons and 61.7 million tons, representing 23%, 25%, 28% and 37% of the world's annual production respectively. As of the end of 2013, the number of people employed by the agricultural sector was approximately 241.7 million, or 31.4% of China's total work force. China is among the few countries most affected by natural disasters to which agricultural sector is particularly venerable.

However, China's agricultural sector is relatively under-insured compared to their counterparts in developed countries. In fact, according to data from China Insurance Regulatory Commission ("CIRC"), China's agricultural insurance premium, which experienced a sharp annual increase of 27.4% to RMB 30.7 billion, only represented about 0.5% of Chinese agricultural GDP in 2013. Meanwhile, the agricultural insurance market in China is quite small compared to other lines of insurance, with China's agricultural insurance premium accounting for 1.8% of total Chinese insurance premium in 2013.

Chinese central government increasingly recognizes the importance of utilizing risk management tools associated with agricultural insurance, with a view to ensuring growth of the

At present, key domestically-licensed reinsurers include ChinaRe and PICC Reinsurance, while SwissRe, MunichRe and Lloyd's also set up their branches in China with reinsurance licenses issued by CIRC.

agricultural economy and the stability of rural society. In November 2012, the State Council of China promulgated the Regulation of Agricultural Insurance (the "2013 Regulations") which took effect on March 1 2013. The 2013 Regulations combined with China's Insurance Law and Agriculture Law serve as the overarching rules regulating agricultural insurance sector in China, which also marked China's latest efforts in reviving its agricultural insurance industry.

History of agricultural insurance in China

Since the Communist Party of China came to power in 1949, China's agricultural insurance sector witnessed rise and fall in different phases. People's Insurance Company of China ("PICC") was founded in 1949 as the sole insurer in China at that time, and provided agricultural insurance coverage in a few specific regions on a pilot basis. Such initial pilot phase was terminated in 1958 when China started to establish collective people's commune and launch a series of mass campaigns, during which agricultural insurance business together with most of other insurance lines were abandoned and prohibited in China.

In 1978, agriculture policy reform was initiated by Deng Xiaoping in China, with agricultural and rural economy growing rapidly since then; and PICC revived its pilot program of agricultural insurance with its agricultural insurance premium increasing steadily. In 1993, China's agricultural insurance premium peaked around RMB 820 million with extensive products available in most regions of China. However, it was a turning point for China's agricultural insurance sector. Since 1993, the agricultural insurance premium shrunk dramatically, because China started to deepen its market-oriented reform. For example, PICC started in 1994 to transform from a quasi-governmental insurance agency mainly performing policy function to a commercial company competing under market environment; as a result, agricultural insurance business became less attractive for insurers due to its high loss-ratio and high underwriting cost.

In 2004, Chinese central government abolished taxes on special agricultural products, and implemented an annual reduction in agricultural tax by 1% or more starting from 2004 and finally eliminated this tax nationwide by January 1 2006. Also, Chinese government sponsored various programs to commercialize and support China's agricultural sector. Against such a background, the decreasing trend of China's agricultural insurance premium reversed in 2004, upon which China launched several pilot programs of agricultural insurance, issued laws and incentive policies at the state level, provided financial subsidies with respect to agricultural insurance premiums. Today, these pilot programs, laws, incentive policies, and financial subsidies constitute the current regulatory regime of China's agricultural insurance sector.

Licensed agricultural insurers

According to the 2013 Regulations, Chinese agricultural insurance business is carried out "on a market basis with governmental guidance"; only the China-incorporated insurance companies and agricultural mutual insurance entities (the "Mutual Insurers"), which have obtained special approval from CIRC, can engage in the agricultural insurance business in China. At present, among 165 existing insurance companies, there are around fifteen insurance companies are approved by CIRC to provide agricultural insurance coverage, including PICC, China Pacific Insurance, Xinjiang-focused China United Property Insurance, Heilongjiang-focused Sunlight, Jilin-focused An Hua, and Shanghai-focused An Xin, etc.

In May 2014, CIRC issued a draft rule on the Mutual Insurers for public comments, under which an agriculture-related Mutual Insurer operating nationwide shall have 1,000 or more policyholders and paid-in operating fund of RMB 50 million or more when it's set up. Notably, though

such draft rule has not been enacted, the agriculture-related Mutual Insurers have already actually operated in China for several years. China Fishery Mutual Insurance ("CFMI") is one of the largest agriculture-related Mutual Insurers in China, which is eager to be explicitly recognized by central government through being specified and regulated by laws and regulations. Since its inception in 1994, CFMI has provided insurance coverage of RMB 739.4 billion, with an annual insurance premium of approximate RMB 1 billion.

Insurance products, subsidies and reinsurance

Though CIRC encourages insurers to develop innovative agricultural insurance products, the multi-peril crop insurance ("MPCI"), which provides comprehensive protection against weather-related causes of loss and certain other perils, have dominated China's market. MPCI is designed to deal with complex damage to crops, such as loss caused by both strong wind and rainfall, while its administration cost, loss adjustment cost, and skill requirements for underwriters are quite high. In the event that insurers provide MPCI to large farms, the cost associated with the loss adjustment and administration could be significantly reduced by relying on its developed infrastructure with economy of scale arising. However, most of China's farmland is decentralized to individual and small farmers, apart from certain state-owned large military farms in Xinjiang and Heilongjiang. That's why MPCI is widely accepted in Xinjiang and Heilongjiang, while insurers are not very successful to sell MPCI to individual farmers outside the state-owned farms.

Since 2007, the Ministry of Finance of China has issued a set of pilot policies of subsidies in order to finance agricultural insurance premiums in selected provinces such as Xinjiang, Inner Mongolia, Henan, Fujian, Gansu and Jilin. For different agricultural insurance products, the percentage of subsidies varies; subsidies provided by both local and central governments in 2013 for insurance products covering

China's agricultural insurance regulatory regime is evolving rapidly to address key challenges such as under-insured sector, potential catastrophic event, and outdated products.

crop, livestock and forest represented at least 60%, 70% and 55% of the total premiums respectively.

Before 2002, China Reinsurance Company ("ChinaRe") monopolized the domestic reinsurance market, as direct insurers were mandatorily required to cede their 20% premiums to ChinaRe. Such compulsory cession was gradually reduced upon 2002, completed removed by December 2005, and replaced by a new arrangement, under which domestic direct insurers were required to first offer 50% of their reinsurance business to at least two China-registered reinsurers prior to soliciting offshore reinsurers. In 2010, Chinese reinsurers' "right to be first offered" was eliminated as well. As such, China's agricultural insurers now enjoy more flexibility when selecting the reinsurers. At present, key domestically-licensed reinsurers include ChinaRe and PICC Reinsurance, while SwissRe, MunichRe and Lloyd's also set up their branches in China with reinsurance licenses issued by CIRC.

International experience and recommendations

Given MPCI is very expensive for China's individual farmers, an innovative agricultural product, which is low-cost for both insurers and farmers, is needed. The agricultural index insurance has been adopted in several countries which would be a possible choice. Compared with MPCI, cost of index insurance is less, as its loss assessment objectively depends on area yield index or weather index, which would result in less on-site visits performed by loss adjustors. Therefore, premium of agricultural index insurance would be lower and more acceptable for farmers.

International experience shows that no smart or efficient public program could be designed and carried out if the government cannot appropriately understand its roles from regulatory, social, and market perspectives. In most successful cases, agricultural insurance regulators have much work to do apart from directly offering premiums subsidies. As such, Chinese government may consider making more efforts to further enact detailed implementing rules, enhance data management of the whole industry, and reduce the transaction costs.

In certain developed economies such as the U.S., Germany and Japan, agricultural insurance market as well as alternative risk transfer deal could play an important role to deal with extreme weather or catastrophic event. For example, through issuing catastrophe bonds, catastrophic risks in agricultural sector could be absorbed by the capital market players which have deep pockets and the demand to diversify their investments. In the event of disasters, China may try to resort to the insurance market instead of tending to provide government aids.

In a word, China needs to ensure the safety and stability of its agricultural sector which provides 1.3 billion people with food every day. China's agricultural insurance regulatory regime is evolving rapidly to address key challenges such as under-insured sector, potential catastrophic event, and outdated products. But, no one can fit all. International experience cannot be directly transplanted in China; meanwhile, when overlooking China's provincial diversity and difference, high price could be paid.

(Author: from an international law firm)

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Urbanisation May Keep Labour Productivity Growth Stong

By David Mann, Jeff Ng

- **Productivity trends have improved since 2000, but sustained improvements cannot be taken for granted**
- **Urbanisation and industrialisation, along with better infrastructure, will help lower-income economies to boost productivity**
- **Shrinking labour forces may become a major challenge for China, Korea, Hong Kong, Thailand and Singapore by the 2020s**

Move from rural areas to cities drives productivity

Asia has significant potential to boost productivity growth as it urbanises and industrialises. As people living a subsistence lifestyle move to cities, they learn new skills on the job, boosting their productivity and income. The extent of productivity gains will depend on the pace of urbanisation and growth in infrastructure (both hard and soft). Figure 1 shows the strong relationship between urbanisation and productivity. While many other factors also need to be in place, the process of moving workers from rural areas to urban centres is a key channel for increasing productivity and incomes. Asian countries still have much room to benefit from this simple yet powerful process.

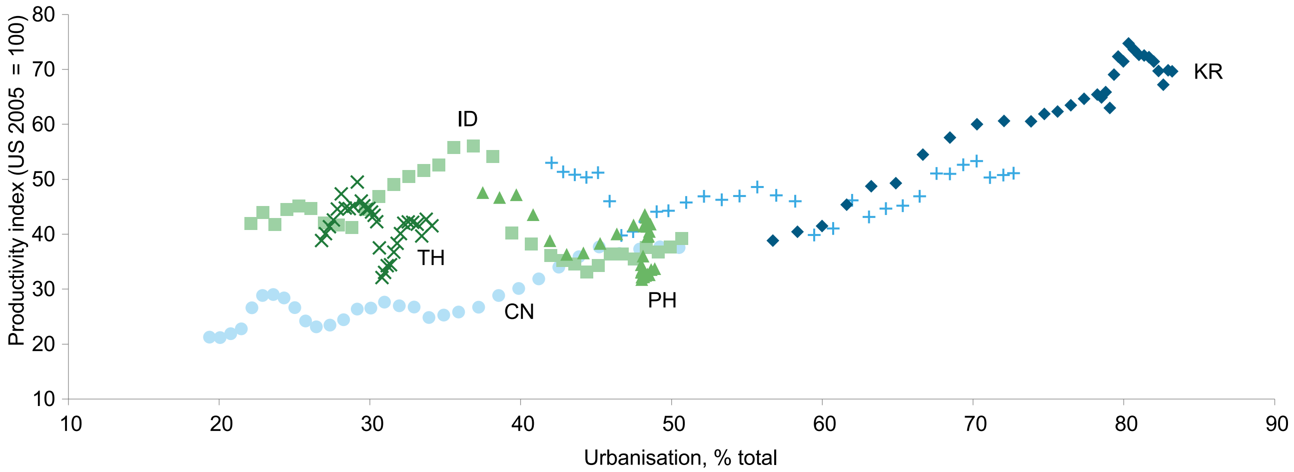
Increased urbanisation and industrialisation will become more important drivers of growth as demographics – another key growth driver – becomes less supportive or even a drag on growth in some markets. For China, Korea, Hong Kong SAR, Thailand and Singapore, demographics is set to reverse from being a positive growth driver to a drag over the next decade. Smaller and more open economies may be able to counter this by importing labour. This is much harder to do for larger economies, most notably China given that it has the world's largest population. The good news for China is that despite a contraction in the working-age population, the urbanisation process has a long way to go, which may keep labour productivity growth strong during this period. This could be complemented by improving the quality of human capital.

Urbanisation's role in growth and productivity

We think that China can sustain its current growth levels just by developing and urbanising its own backyard. This can be done by further developing services industries, which make up a smaller share of China's GDP than in more developed economies. For instance, China's services sector accounted for 46.1% of GDP in 2013 (versus 43.9% for manufacturing), smaller than South Korea's 54% (versus 35% for manufacturing).

Many ASEAN economies remain relatively rural, offering opportunities to shift labour into more productive industries. We categorise Singapore,

Figure 1: Urbanisation appears to be positively correlated with productivity levels



Source: IMF, Penn World Tables, Standard Chartered Research

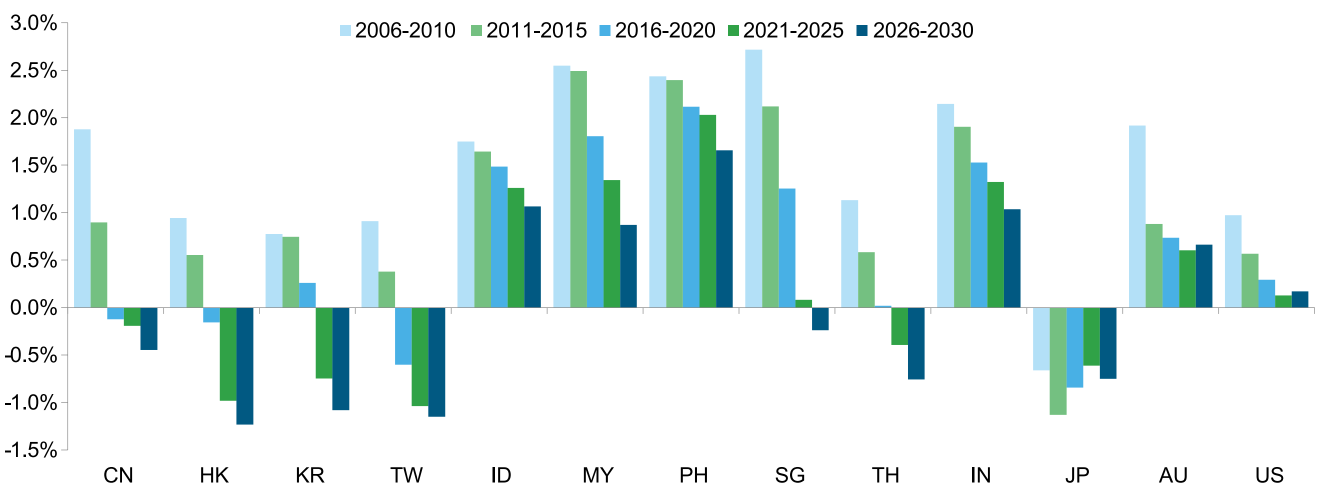
Brunei and Malaysia as Tier 1 urbanised economies; Indonesia and the Philippines as Tier 2; and Laos, Thailand, Myanmar, Vietnam and Cambodia as Tier 3. Assuming Tier 2 and Tier 3 economies move to the next level of urbanisation, we expect GDP per capita to triple and GDP growth to quicken.

Demographics is becoming a drag on growth

Of all of the growth drivers in the coming decades, we have the most clarity on demographics. Japan's shrinking working-age population has been negative for its growth over the past decade. Unlike China, whose working-age population is also set to decline, Japan's urbanisation process is complete. Therefore, increasing the productivity of the existing population needs to be achieved through other channels. Rapid growth in Singapore's working-age population in the mid-2000s has softened and is likely to turn negative by the second half of the 2020s. Hong Kong is likely to reach this stage even sooner, and Korea is not far behind. In ASEAN, while demographics are broadly favourable for Indonesia, Malaysia and the Philippines, Thailand is a major exception.

Figure 2: Asia's demographic slowdown

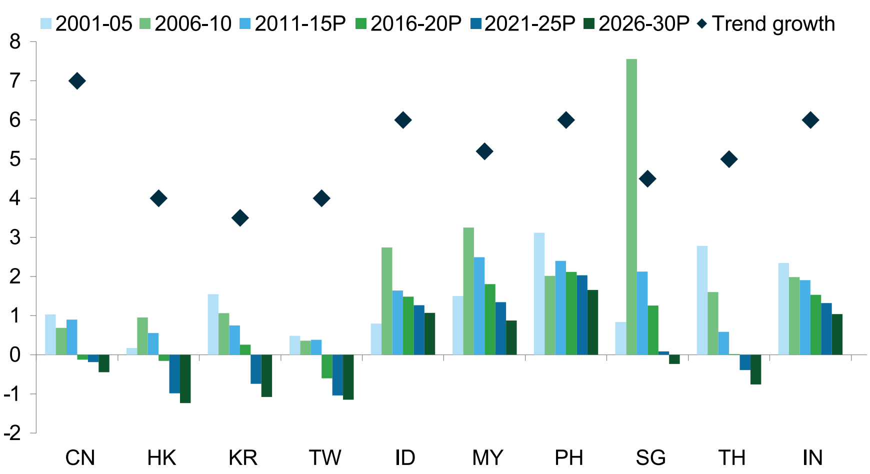
Average annual growth in working-age population growth, 2006-30



Source: UN, Standard Chartered Research

Figure 3: Trend growth in Asia is at risk from slower labour-force growth

Average annual labour contribution to GDP growth vs. trend growth, ppt



Note: We use UN working-age population data for our projections for 2011-30, while actual numbers on employed personnel for 2001-10 are from Penn World Tables. The key assumption here is that labour growth is equal to working age population growth.
Source: UN, Penn World Tables, CEIC, Standard Chartered Research

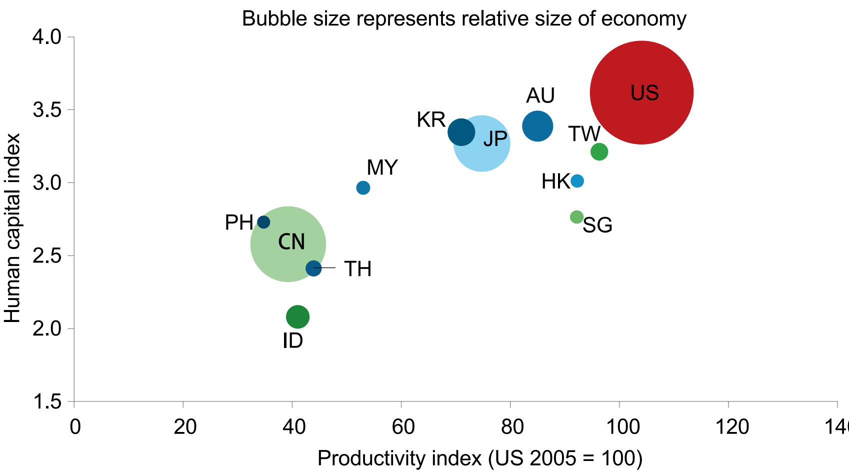
Northeast Asia and Thailand face the greatest demographic challenges

Figure 2 shows the expected changes in the working-age population in various Asian economies. In countries with young populations, labour will continue to boost growth. Indonesia and the Philippines are estimated to add a combined 35mn people to their working-age populations between now and 2025, according to the UN. This is equivalent to half of Thailand's total population.

The story is not all positive, however. Unlike in the US, it is difficult to see immigration significantly changing the demographic destinies of most Asian economies. Many face the challenge of compensating for falling labour supply in the coming years. Singapore, Hong Kong, South Korea, Thailand and China face the greatest challenges. In Figure 3 we show the growth impact (in ppt) of the demographic decline until 2030, broken down into five-year periods. We use UN data for the working-age population; these numbers are unlikely to change until at least 2030, even if major reforms are implemented today. Demographics start to become less positive from the mid-2010s, before turning into a drag on growth. The negative impact increases in the 2020s.

Using this data to project the growth impact of the shrinking labour force illustrates the additional pressure on other sources of growth, including productivity, to compensate (see Figure 3). While smaller economies will be able to import labour to counter this effect, this is unlikely to happen in China or South Korea. This explains the importance of focusing on productivity growth: inspiration over perspiration. From now to 2025, China's working-age population is set to shrink by 15mn, nearly two-thirds of Australia's population today. From 2025-30, China's working-age population will fall by another 20mn, almost the equivalent of Australia's entire

Figure 4: US remains in pole position in human capital and productivity



Source: IMF, Penn World Tables, Standard Chartered Research

population today. China will likely need to find an extra 1.5ppt of GDP growth from other sources in order to compensate for its shrinking-working age population by 2025.

Human capital as a productivity and growth driver

Having looked at the quantity of labour in the above section, we now look at the quality, by considering the relationship between productivity and human capital in Asia. The more skilled the workforce, the higher productivity is likely to be. We find that this relationship holds for most countries, although South Korea and Japan do not seem to get as much productivity out of their human capital as the US, despite having highly skilled workforces (see Figure 4). We use the human capital index from the Penn World Tables, which combines average years of schooling with a measure of the 'effectiveness of schooling' (returns on education; see the work of George Psacharopoulos). While we hesitate to draw firm conclusions from the exact position of each economy in this chart, we see a clear positive relationship between human capital development and productivity.

Indonesia is an outlier, with higher productivity than its human capital index would suggest. This may be due to problems with measuring productivity, which is difficult in such a large and diverse economy. We have excluded India from this comparison for the same reason, as it is extremely difficult to estimate productivity accurately. This measure puts Singapore's productivity on par with Hong Kong's and ahead of Australia's, despite a lower human capital index reading.

Human capital development has contributed positively to trend growth across Asia. Training and education boosted Asia's average annual growth by 0.3-0.5ppt from 2001-13. In Thailand, training and skills development contributed particularly strongly to economic growth. The Philippines was the exception to this positive trend, registering only a 0.17ppt contribution in the past decade — comparable to the US but lower than Japan. Since training and development levels are much lower in the Philippines than in the US and Japan, it has room to catch up with the rest of Asia. This is another important way to boost the region's growth rates to counter the challenge of ageing populations.

(Authors: from Regional Research, Standard Chartered Bank)

Export Continued to Improve in May

China's foreign trade from January to May of 2014

According to Customs figures, China's total import and export in January-May reached 10.3 trillion yuan, down 2.2% year on year (the same below). Export was 5.4 trillion yuan, a decrease of 2.7%, and import 4.9 trillion yuan, down 1.6%. Trade surplus was 436.6 billion yuan, a decrease of 13.6%. In terms of U.S. dollar, total import and export stood at US$1,679.1 billion in January-May, up 0.2%. Export was US$875.2 billion, down 0.4%, and import was US$803.9 billion, up 0.8%. Trade surplus was US$71.3 billion, a decrease of 12.2%. The main features of foreign trade in May are as follows:

1. Export continued to improve and import went down.

In terms of U.S. dollar, China's total import and export in May was US$355.02 billion, up 3% year on year, and 2.2 percentage points higher than that of April. Among that, export reached US$195.47 billion, up 7%, and 6.1 percentage points higher than that of April; import stood at US$159.55 billion, down 1.6%, 2.4 percentage points lower than that of April; trade surplus was US$35.92 billion, an increase of 74.9%.

2. Export of mechanical and electrical products and high-tech products enjoyed a positive growth.

With global trade and industrial chain driven by economic recovery in European and north American countries, the export of China's mechanical and electrical products and high-tech products in May increased 6.6% and 4.8% respectively, 9.0 and 15.7 percentage points higher than that of April, witnessing the first positive growth in the recent four months. Besides, the export of seven kinds of labor-intensive products saw an increase of 7.9%, the same as that of April. Among that, the export of clothing was up 9.5%, furniture down 4.4%, 5 and 0.7 percentage points higher than that of April respectively; the export of textile, footwear and toys went up respectively 7.7%, 15.7% and 12.4%, 1.7, 5.6 and 11.6 percentage points lower than that of April.

3. Growth of importing resources products went down.

In May, the import of mechanical and electrical products and high-tech products decreased 36.4% and 37.0% respectively year on year. The import of soybean, iron ore and crude oil increased 20.6%, -6.4% and 11.9% respectively year on year, 41.7, 8.6 and 7.8 percentage points lower than that of April. In January-may, the import volume of soybean, iron ore and crude oil went up 35.3%, 19% and 11.1% year on year respectively, and the import prices went down 5.9%, 12.5% and 3.3%. The import of major bulk commodities increased while their prices decreased.

4. Export of general trade remained rapid growth.

In May, China's import and export of general trade reached US$194.31 billion, and processing trade US$112.77 billion. Specifically, the export of general trade increased 10.3%, and processing trade up 1.6%; the import of general trade decreased 5.5%, and processing trade down 1.2%.

5. Growth of export to U.S., Japan and EU went down, while export to ASEAN speeded up.

In May, China's export to U.S., EU and Japan increased 6.3%, 13.4% and 2.2% respectively year on year, down slightly compared with that of April. Export to ASEAN was up 9.1%, 5.4 percentage points higher than that of April. Export to other BRICS members (Brazil, Russia, India and South Africa) witnessed an increase of 0.5%, 1.5 percentage points lower than that of April. Export to Hong Kong went down 0.8% year on year, 30.6 percentage points lower than that of April.

6. Export from central and western China grew rapidly.

In May, the growth rates in Yunnan, Guizhou, Tibet, Shaanxi, Guangxi, Hunan, Anhui and Inner Mongolia were respectively 117.5%, 115.0%, 80.0%, 70.5%, 63.8%, 59.0%, 56.1% and 50.0%.

Utilization of foreign investment

In January-May of 2014, a total of 8,744 foreign-funded enterprises were approved, up 1.6% year on year; and actually utilized FDI reached 301.09 billion yuan (equivalent to US$48.91 billion), up 2.8% year on year (excluding data of banking, securities and insurance). In May, utilized foreign capital was US$8.6 billion, down 6.7% year on year. The main features of foreign investment in January-May are as follows:

1. Utilized FDI in service sector maintained fast growth.

In January-May of 2014, utilized FDI in service sector registered US$27.5 billion, up 19.5% year on year, accounting for 56.2% of the national total; of which utilized FDI in distribution service industry and transportation reached US$3.39 billion and US$1.9 billion respectively. Utilized FDI in agriculture, forestry, animal husbandry and fishery amounted to US$500 million, up 2.7% year on year, accounting for 1.2% of the national total. Utilized FDI in manufacturing was US$17.4 billion, down 16.5% year on year, accounting for 35.6% of the national total; of which utilized FDI in electronic equipment manufacturing including telecommunications equipment and computers reached US$2.88 billion, up 0.6% year on year, transportation equipment manufacturing reached US$1.67 billion, down 23.9%, and chemical raw materials and chemical products manufacturing reached US$1.36 billion, down 39.7%.

2. Investment from major countries and regions maintained steady growth.

In January-May of 2014, actual FDI in the Chinese mainland from top 10 investors (Hong Kong, Taiwan, Singapore, ROK, Japan, U.S., Germany, UK, France and Bermuda) amounted to US$46.08 billion, accounting for 94.2% of the total, up 5% year on year, and 2.2 percentage points higher than the average of the whole. Investment from ROK and UK increased by 87.9% and 62.2% year on year respectively, that from Japan and U.S. fell down 42.2% and 9.3% on a year on year basis respectively. Meanwhile, actual FDI from 28 EU countries in January-May reached US$2.58 billion, down 22.1% year on year and that from ASEAN totaled US$2.54 billion, down 22.3% year on year.

3. Utilized FDI in central China enjoyed rapid growth.

In January-May of 2014, utilized FDI in eastern China was US$40.6 billion, up 2.2% year on year; utilized FDI in central China was US$4.9 billion, up 16.7% year on year, and utilized FDI in western China was US$3.5 billion, down 7.3% year on year. In January-May, paid-in FDI in China's eastern, central and western regions accounted for 82.9%, 10% and 7.1% respectively of the total. Utilized FDI in central China and western China took up a higher share of the total than that of the same period last year.

Overseas investment and economic cooperation

China's outbound FDI

In January-May of 2014, Chinese investors made direct investment in 2,766 businesses overseas in 146 countries and regions. Total direct investment in non-financial sectors (similarly hereinafter) reached US$30.81 billion (equivalent to RMB 189.02 billion), down 10.2% year on year. As of the end of May 2014, China's non-financial direct investment overseas totaled US$556.5 billion (equivalent to RMB 3,414.2 billion). In May, China's non-financial direct investment overseas was US$5.12 billion, up 6.9% year on year.

In January-May of 2014, Chinese mainland's investment in seven economies, namely Hong Kong, ASEAN, EU, Australia, U.S., Russia and Japan, reached US$21.16 billion, taking up 68.7% of total direct investment overseas during the same period, with the proportion decreasing by 9.6 percentage points. Investment in Hong Kong, EU and Australia fell by 32.6%, 9.2% and 3.2% respectively. investment in the U.S. reached US$2.03 billion, up 144%. Investment in ASEAN was US$1.9 billion, up 4.2% year on year. Investment in Russia and Japan soared 105.7% and 141.9% respectively due to the relatively low base in the same period of 2013.

Contracted projects overseas

In January-May of 2014, the turnover of China's contracted projects overseas amounted to US$46.9 billion (equivalent to RMB 287.74 billion), up 7.3% year on year. The value of newly-signed contracts was US$53.36 billion (RMB327.37 billion), down 5.6% year on year. The projects each with a contract value of over US$50 million were 223 (13 less than last year's 236), with a total contract value of US$41.3 billion, taking up 77.4% of the total value of newly-signed contracts. The projects each with a contract value of US$100 million or more were 126, 7 less than that in the same period of last year.

In May, the turnover of China's contracted projects overseas was US$10.51 billion, up 12.4% year on year. The value of newly-signed contracts was US$9.58 billion, up 1.9% year on year.

By the end of May, the accumulated value of China's contracted projects overseas reached US$1. 2 trillion, and the turnover was US$839.7 billion.

Labor service cooperation overseas

In January-May of 2014, labor service personnel dispatched overseas reached 200,000, an increase of 15,000 over the same period of 2013. Labor service personnel sent abroad for contracted projects were 94,000, and those for labor cooperation projects were 106,000. By the end of May 2014, all labor service personnel dispatched overseas were 917,000, 58,000 more than that at the end of May 2013.

In May, labor service personnel dispatched overseas was 45,000, an increase of 4,000 over the same period of 2013.

By the end of May 2014, accumulated labor service personnel dispatched overseas for labor service cooperation totaled 7.12 million.

(Source: Press conference of the Ministry of Commerce of China on June 17, 2014)

Prediction of Nanjing Second-Hand Housing Price Index Based on Markov Chain Model

By Zhang Chenghu, Dai Zhenlong, Zhang Along

Current situation of the second-hand housing market

Relatively speaking, we don't pay much attention to the second-hand housing market. Therefore, this article has certain practical significance to predict the second-hand housing prices index.

In 2005, China began to pursue the reform of the real estate tax and the second-hand housing transaction must pay personal tax. In 2006, the central bank increased mortgage interest rate, the state administration of taxation introduced the business tax policy that the income of the second-hand housing transaction should pay individual income tax. In 2007, the central bank raised the rate five times so as to curb the hot phenomenon of the second-hand housing market in finical level. In 2008, due to restrictions of financial rights, the property market began to recover. During the period from 2009 to 2012, the year to year second-hand housing sales price rose sharply. In 2013, the state council took some restriction measures to those cities that had a rapid rise on property prices and established stable housing price work accountability.

The second-hand housing prices are compared and the changing trend of price index since 2005 is demonstrated as shown in Figure 1.

Preliminaries

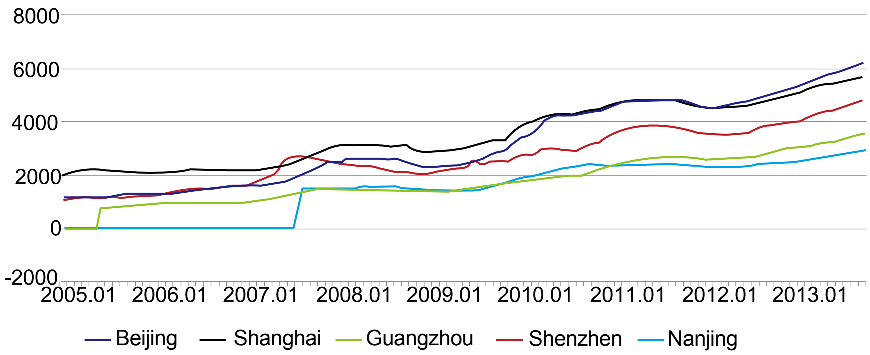
Cluster analysis

In this article , we use cluster analysis method to classify the changing amplitude of Nanjing second-hand housing price index.

Now, we briefly introduce the principle of cluster analysis method.

According to the different objects, the cluster analysis can be divided into sample clustering and variable clustering. The core idea of cluster analysis lies in the similarity coefficient and the distance between different samples. The correlation coefficient and Mahalanobis distance are illustrated here.

Figure 1: The comparison of five city second-hand housing price index between 2005 and 2013



Source: China Index Academy

The correlation coefficient between variables is defined as the similarity coefficient between sample i and sample j:

$$r_{ij}=\frac{\sum_{a=1}^{p}(x_{ia}-\overline{x_i})(x_{ja}-\overline{x_j})}{\sqrt{\sum_{a=1}^{p}(x_{ia}-\overline{x_i})^2\sum_{a=1}^{p}(x_{ja}-\overline{x_j})^2}}$$

where

$$-1\le r_{ij}\le 1,\quad \overline{x_i}=\frac{1}{p}\sum_{a=1}^{p}x_{ia},\quad \overline{x_j}=\frac{1}{p}\sum_{a=1}^{p}x_{ja}.$$

The Mahalanobis distance eliminates the correlation among the indexes and also is not affected by the dimension of the index. Its expression is

$$d_{ij}^2(M)=(X_i-X_j)^{'}\Sigma^{-1}(X_i-X_j),$$

where

$$\Sigma=(\sigma_{ij})_{p\times p},\quad \sigma_{ij}=\frac{1}{n-1}\sum_{a=1}^{n}(x_{ai}-\overline{x_i})(x_{aj}-\overline{x_j}),\quad \overline{x_i}=\frac{1}{n}\sum_{a=1}^{n}x_{ai},\quad \overline{x_j}=\frac{1}{n}\sum_{a=1}^{n}x_{aj}.$$

Weighted Markov chain model

Definition 1: The sequence $\{X_n, n\in T\}$

of random variables on probability space (Ω, σ, P) is Markov chain, where

$T=\{0,1,2\ldots\}$, $I=\{0,1,2\ldots\}$, if

$P\{X(m)=i_m, X(j_l)=i_{j_l}, \ldots, X(j_2)=i_{j_2}, X(j_1)=i_{j_1}\}>0$,

for $\forall l, m, k \in Z^+$ and arbitrary nonnegative integer $j_l>\ldots>j_2>j_1,(m>j_l)$

and $i_{m+k}, i_m, i_{j_l}, \ldots, i_{j_2}, i_{j_1} \in I$, we have

$$P\{X(m+k)=i_{m+k} \mid X(m)=i_m, X(j_l)=i_{j_l}, \ldots, X(j_2)=i_{j_2}, X(j_1)=i_{j_1}\}$$
$$=P\{X(m+k)=i_{m+k} \mid X(m)=i_m\}.$$

Remark 1: Markov chain is a stochastic process with a special property. If we know the current state of the stochastic process, its future state has nothing to do with the past.

Theorem 1(C-K equation): Let $\{X_n, n \in T\}$ is a Markov chain, then

$$p_{ij}^{(m+n)}=\sum_{k \in I} p_{ik}^{(m)} p_{kj}^{(n)},$$

$$P^{(n)}=PP^{(n-1)}=PPP^{(n-2)}=\ldots=P^n$$

for $\forall 0 \leq n, m \in Z$ and $i, j \in I$.

Remark 2: The basic idea of weighted Markov chain model is that we are likely to make full use of the information to predicate armed with the analysis of the transition probability matrix of Markov chain and dependent stochastic variable.

Prediction of Nanjing second-hand housing price index

Fist, we predict the changing amplitude of price index in October with the date of Nanjing between 2011 January and 2013 September in Table 1. Then we add the date of October into the sequence and predict the changing amplitude of price index in November. Finally, we forecast the amplitude of December in the same way and compared with the actual data.

The specific steps are as follows:

Step 1: Calculate the mean value and its standard deviation of the index series: $\bar{x}=0.98$, $s=1.30$. The classification standard of the rising and falling of the second-hand housing price index is established as shown in Table 2, that is, the state space of Markov chain is I={1,2,3,4}.

Step 2: Determine the state of the index value in different time interval in the sequence in the status bar of Table 1.

Step 3: We test the Markov property of the sequence. Statistics obey χ^2 distribution with degrees of freedom is $(q-1)^2$. Choose the confidence level $\alpha=0.05$, we have

$$\chi^2=2\sum_{i=1}^{q}\sum_{j=1}^{q} n_i\,|\log(p_{ij}/p_j)|>\chi_\alpha^2((q-1))^2.$$

Therefore, the sequence in Table 1 satisfies the Markov property.

Step 4: Calculate the correlation coefficient and weight as shown in Table 3.

The correlation coefficient $r_k, k \in I$ is calculated by

$$r_k=\frac{\sum_{l=1}^{n-k}(x_l-\bar{x})(x_{l+k}-\bar{x})}{\sum_{l=1}^{n}(x_l-\bar{x})^2},$$

where x_l is the index value of time l, is the mean value of the index value, is the size of the sequence.

Weight $w_k, k \in I$ is calculated by

$$w_k=\frac{|r_k|}{\sum_{k=1}^{m}|r_k|}$$, where m is the maximum order according to the prediction.

Table 1: The changing amplitude of second-hand housing price index (unit:%) sequence and state table

Year	2011											
Month	1	2	3	4	5	6	7	8	9	10	11	12
Nanjing	1.79	1.26	0.54	-0.25	0.12	0.29	-0.21	-0.21	-1.65	-0.5	-1.1	-0.34
State	2	2	3	4	4	4	4	4	5	4	5	4
Year	2012											
Month	1	2	3	4	5	6	7	8	9	10	11	12
Nanjing	-1.8	-0.96	0.13	1.05	0.48	0.04	1.82	2.8	0.58	-0.08	0.12	0.86
State	5	5	4	3	3	4	2	1	3	4	4	3
Year	2013											
Month	1	2	3	4	5	6	7	8	9	10	11	12
Nanjing	1.71	1.24	2.77	2.54	1.46	1.4	2.26	1.28	1.55	1.87	1.84	NA
State	2	2	1	1	2	2	1	2	2	2	2	NA

Source: China Index Academy

Table 2: Classificating standard of price index

State	Description	Grading interval
1	Expansion Type	$x \geq 2.07$
2	Growth Type	$1.16 \leq x < 2.07$
3	Steady Growth Type	$0.42 \leq x < 1.16$
4	Steady Type	$-0.73 \leq x < 0.42$
5	Drop Type	$x < -0.73$

Table 3: Correlation coefficient and weight

	1	2	3	4	5
r_k	0.672	0.456	0.371	0.421	0.282
w_k	0.305	0.207	0.168	0.192	0.128

Table 4: Prediction of the changing amplitude of price index in October

Year and Month	State	Size (Month)	State / Weight	1	2	3	4	5	Probabilistic resources
2013-9	2	1	0.305	1/3	5/9	1/9	0	0	$P^{(1)}$
2013-8	2	2	0.207	3/8	1/4	1/4	1/8	0	$P^{(2)}$
2013-7	1	3	0.168	1/4	1/2	0	1/4	0	$P^{(3)}$
2013-6	2	4	0.192	0	4/7	0	3/7	0	$P^{(4)}$
2013-5	2	5	0.128	1/6	1/3	1/6	1/3	0	$P^{(5)}$
P_i				0.24	0.46	0.11	0.19	0	1

Table 5: Prediction of the changing amplitude of price index in November

Year and Month	State	Size (Month)	State / Weight	1	2	3	4	5	Probabilistic resources
2013-10	2	1	0.298	1/3	5/9	1/9	0	0	$P^{(1)}$
2013-9	2	2	0.203	3/8	1/4	1/4	1/8	0	$P^{(2)}$
2013-8	2	3	0.178	1/7	3/7	0	3/7	0	$P^{(3)}$
2013-7	1	4	0.190	1/3	1/3	1/3	0	0	$P^{(4)}$
2013-6	2	5	0.131	1/6	1/3	1/6	1/3	0	$P^{(5)}$
P_i				0.29	0.40	0.15	0.16	0	1

$$P^{(1)} = \begin{bmatrix} 1/4 & 1/2 & 1/4 & 0 & 0 \\ 1/3 & 5/9 & 1/9 & 0 & 0 \\ 0 & 1/5 & 1/5 & 3/5 & 0 \\ 0 & 1/11 & 2/11 & 5/11 & 3/11 \\ 0 & 0 & 0 & 3/4 & 1/4 \end{bmatrix}$$

$$P^{(2)} = \begin{bmatrix} 0 & 3/4 & 0 & 1/4 & 0 \\ 3/8 & 1/4 & 1/4 & 1/8 & 0 \\ 0 & 2/5 & 0 & 3/5 & 0 \\ 1/11 & 1/11 & 2/11 & 5/11 & 2/11 \\ 0 & 0 & 1/4 & 1/4 & 1/2 \end{bmatrix}$$

$$P^{(3)} = \begin{bmatrix} 1/4 & 1/2 & 0 & 1/4 & 0 \\ 1/7 & 3/7 & 0 & 3/7 & 0 \\ 2/5 & 1/5 & 1/5 & 1/5 & 0 \\ 0 & 2/11 & 1/11 & 5/11 & 3/11 \\ 0 & 0 & 1/2 & 1/4 & 1/4 \end{bmatrix}$$

$$P^{(4)} = \begin{bmatrix} 1/3 & 1/3 & 1/3 & 0 & 0 \\ 0 & 4/7 & 0 & 3/7 & 0 \\ 2/5 & 1/5 & 1/5 & 1/5 & 0 \\ 1/11 & 2/11 & 1/11 & 4/11 & 3/11 \\ 0 & 0 & 1/4 & 1/2 & 1/4 \end{bmatrix}$$

$$P^{(5)} = \begin{bmatrix} 0 & 1 & 0 & 0 & 0 \\ 1/6 & 1/3 & 1/6 & 1/3 & 0 \\ 0 & 2/5 & 1/5 & 2/5 & 0 \\ 3/11 & 0 & 1/11 & 4/11 & 3/11 \\ 0 & 1/4 & 1/4 & 1/4 & 1/4 \end{bmatrix}$$

Step 5: Census the result in Step 2, we get the transition probability matrix as follows on the up rignt.

Step 6: According to the relevant data and the corresponding transition probability matrix, the prediction of the changing amplitude of price index in October is shown in Table 4.

From Table 4, we have $\max\{P_i, i \in I\} = 0.46$ and $i = 2$, that is, the state of October is 2. In other words, our estimate is $x: 1.16 \leq x < 2.07$. And the actual value is 1.87% in October. Thus, our prediction matches reality utterly.

Step 7: According to the relevant data and the corresponding transition probability matrix, the prediction of the changing amplitude of price index in November is shown in Table 5.

From Table 5, we have $\max\{P_i, i \in I\} = 0.40$ and $i = 2$, that is, the state of November is 2. In other words, our estimate is $x: 1.16 \leq x < 2.07$. And the actual value is 1.84% in November. Thus, our prediction matches reality utterly.

Step 8: Similarly, according to the relevant data and the corresponding transition probability matrix, we also have $\max\{P_i, i \in I\} = 0.53$ and $i = 2$, that is, the state of November is 2. In other words, our estimate is $x: 1.16 \leq x < 2.07$. And the actual value is 1.77% in December. Thus, our prediction matches reality utterly.

(Authors: from School of Applied Mathematics, Nanjing University of Finance & Economics)

How should China Ease Monetary Policy?

By Liu Ligang

There is increasing inconsistency between China's economic fundamentals and the monetary policy, which appears to be too tight. There has been no major monetary policy change in China since May 18, 2012 when the People's Bank of China (PBoC) cut the required reserve ratio (RRR) by 50 basis points on May 18, 2012. However, the Chinese economy and financial markets have experienced significant changes over the past two years.

While the economy has slowed from 7.7 percent in 2012 to 7.4 percent in Q1 2014 and the risk of deflation has risen, the funding costs facing the enterprises have stayed at an elevated level. The short-term money market rates have risen sharply, and on average, 7-day repo rates have moved up by 84 basis points in the past two years from 3.49 percent in 2012. While the weighted average one-year benchmark rate remains at 7.2 percent in Q1 2014, corporate profit margins have dropped from 5.7 percent on average in 2012 to only 5.3 percent in 2013.

Admittedly, China has been fine-tuning its monetary policy since the credit crunch in last June. From January this year, the PBoC also has intervened both FX and money markets to push down the rates. However, the low short-term rates have not been successfully translated into the low lending rates so far, given the accelerating interest rate liberalization. The elevated funding costs, on one hand, have added the risks to the de-leveraging, especially for the highly-indebted industries; on the other hand, the high interest rates onshore have brought in strong capital inflows to arbitrage large interest rate differentials, which have significantly eroded China's monetary policy effectiveness.

So, it's time for China to ease now, as China cannot solely relying open market operations to conduct monetary policy and reduce the high interest rates facing overall economy. Now the question is: how should China ease the monetary policy?

Lowering the reserve requirement ratio is a feasible option, as the interest rates facing the savers and borrowers have been increasingly influenced by the market interest rates. Notably, while the PBoC conducts the open market operations frequently to lower the market interest rates, the short-term liquidity operations appear to be difficult to anchor the market expectations. From this perspective, the importance of a RRR cut cannot be ignored as it will permanently inject liquidity and deliver a clear policy easing signal.

However, because China's lending rates are now market driven, the cost curve of the lending rates is still determined by the deposit ceiling rates, as the deposit ceiling rates are still an important binding constraint. To some extent, the existing deposit rate liberalisation measures have in fact pushed deposit rates to rise further. For example, in order to compete for deposits, the commercial banks are offering high-yielding wealth management products to evade the deposit ceiling control.

Thus, reducing RRR alone is not sufficient to bring down China's lending rates. We believe that, in addition to a RRR cut, the PBoC will also have to address the deposit rates by setting the prime lending rates lower and cutting the binding deposit ceiling rate. Only by doing so can China fundamentally reduces the overall funding costs of the economy.

When gradually moving towards a fully liberalized interest rate setting regime, China should accelerate market reform by encouraging large and listed companies to enter capital markets, especially the bond market to raise long-term capital. By doing so, Chinese state-dominated commercial banks will then have to look for new customers. Small and medium enterprises will then get more credits and their funding costs will start to fall. The capital market liberalization will not only leads the funding costs to decline, but also help offset the rising interest rates which are often associated with interest rate liberalization.

Last but not least, it is worth noting that the monetary policy cannot be used as a structural policy to address the structural issues facing China's economy. China has many structural imbalances such as overcapacity in the heavy industry, rising income disparity and diminishing return in investment. These structural imbalances should be addressed by structural policies and reforms. A tight monetary policy also can not be relied upon to solve the structural imbalances in China.

(Author: economist at Hong Kong ANZ)

Mediation of Refusing to Deliver Consignments

——Dispute Mediation Between a Shanghai Machinery Manufacturer and a Kuwait Steel Company

By Wang Fang

Case review

On March 3, 2013, Mediation Center of China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce received a complaint lodged by a Kuwait steel company against the non-delivery of products by a Chinese machinery manufacturing company in Shanghai after collection of payment. The complaint is also copied to the Kuwait embassy in China. After receiving the complaint, the mediation center contacted with the concerned party in Kuwait and requested supporting evidence and materials. The Kuwait steel company is very satisfied with the quick feedback from the mediation center and sent requested documents immediately.

The mediation center staff understood the basic facts of the case after careful investigation. The Kuwait company received three commercial invoices from the Chinese company, with the value of USD 65,688, USD 38,322 and USD 12,037 respectively. As requested by the Chinese company, the Kuwait steel company pre-paid 30% value of the first two invoices and all the third invoice. And after two months, it was required to pay the balance value and freight costs. Before the goods departed from Shanghai port, the Chinese company provided another invoice indicating two containers of products, which baffled the Kuwait company that how the three-container products could be delivered with two containers. The explanation from Chinese company is that it is because of the perfect product design and all the goods would be delivered. Under the request by Chinese company, the Kuwait steelmaker paid the balance value and freight costs. However, then the goods arrive at destination port, the Kuwait company staff found that only No.2 invoice products had been delivered. They sent inquiry fax and e-mails but received no response from the Chinese company.

The request from applicant: requiring Chinese company to refund of USD 81,456.44 in cash.

Mediation process

After careful investigation of the evidence documents provided by Kuwait company, the mediation center sent a letter of mediation to the Shanghai machinery manufacturing company, which agreed with the mediation request.

1. To fully understand the case

The mediation meeting was held as scheduled and both parties presented reasons for disputes. In fact both sides had very active communications after several years of cooperation and the former managing director of the Kuwait company once ordered consignments worth tens of thousands of dollars and the Chinese company manufactured the products but did not receive written confirmation from the Kuwait company, which was very irritating. So the Chinese company intended to recoup some losses through bilateral trade and this is the major reason behind the non-delivery incident.

2. One-to-one talk to dig out potential factors

Knowing the root cause for the incident, the mediation staff held one-to-one talk with both parties respectively. The staff knew that the Kuwait company is very satisfied with the Chinese product quality and although the price is high, the product has good popularity in the Kuwait market. So after such incident happens, the Kuwait company tried to contact the Chinese counterpart but received no positive feedback. However, the Kuwait company took no provocative actions that would undermine Chinese company's reputation. On the contrary, it contacted the Kuwait embassy in China and tried to solve the dispute through mediation. The mediation staff also understood the uneasiness of the Chinese company, which feared losing long-term business partner. The Chinese company said that it could not meet the refund request and only accepted making up the balance volume.

3. Looking for breakthrough

The mediation staff thought it was necessary to discuss with each party again. And during the meetings, the mediation staff mentioned the business environment. During the financial crisis, no one would like to see the breaking up of long-term business cooperation relationships. The Kuwait company made internal confirmation and accepted making up the balance volume. So substantial progress has appeared and it would take more work to persuade Chinese company to ship the rest volume.

4. Progress made through second joint meeting

At the following joint meeting, the mediation staff emphasized the business status and market share of the Kuwait company in local market. The Chinese company still hoped to maintain the business relationship with its Kuwait counterpart and would like to see more orders in the foreseeable future. Considering the concession already made by the Kuwait company, the Chinese company would like to discuss more about the quality spec. and volume with the Kuwait company. The atmosphere turned positive and progress has been made. Finally both parties signed a settlement agreement in which all shipping particulars were agreed.

5. Ensure the success of mediation

The mediation center knows that the Chinese company executed its responsibility in the settlement agreement and both parties re-established sound business relationships.

Case enlightenment

In the international trade, any party shall look for solutions if disputes arise. If both parties cannot settle the dispute by their own, they shall turn to an impartial and independent professional institution for help.

No one would like to see such trade disputes, but it is inevitable, especially when Chinese foreign trade becomes more and more vigorous. If disputes arise, both parties shall take into good consideration the time, costs and efforts invested to establish the hard-won business relationship. It is not necessary to always point fingers toward each other or fuel hatred. Both parties shall be brave to embrace such disputes and there will always be solutions.

Also, for those small or medium-sized companies, they shall be more concerned about their long-term business relationship and benefits.

Small or medium-sized companies play a pivotal role in promoting economic development, social stability and market prosperity, and also in solving unemployment pressure, implementing the strategy of rejuvenating the country through technology, attracting private investments and optimizing economic structure. As the small and medium-sized companies grew rapidly, small and medium-sized companies have become an integral part of the Chinese economy. However, a lot of negative factors will hinder the development of these companies under the complicated business environment both at home and abroad. The companies shall pay more attention to the long-term benefits and business relationship and they shall turn to professional and impartial mediation organization to solve disputes in a soft manner. This will also benefit the companies in their long-term development.

(Author: from Mediation Center of China Chamber of International Commerce)

Links

CCPIT/CCOIC Mediation Center was founded in 1987. It has been the first and the largest professional mediation organization in China. It has established 42 sub-centers in China and has been cooperating with its counterparts from over ten countries in co-mediation operations and cooperation agreements, forming a mediation network covering China and reaching out to the world. It has been dedicated in resolving international commercial disputes by mediation to promote international cooperation.

Car Sharing to Grow in China

By Zhu Zijun

The Chinese car sharing market is still developing, but it bears high potential and will bring opportunities for car sharing providers and vehicle manufacturers in China, as revealed in a new Roland Berger study.

Car sharing is a global trend. Originating in mature markets such as Europe and North America, the concept is now moving to developing countries, particularly in Asia. China's car sharing market is expected to grow at a rate exceeding the global market average. The study identified an approximate compound annual growth rate of 83% p.a. for the next five years.

According to Andreas Maennel, Principal at Roland Berger Greater China and co-author of the study, Chinese customers have a very positive attitude towards car sharing. Technological trends such as widespread mobile internet penetration as well as support for car sharing business models in selected regions and pilot cities by national and provincial governments are driving forces in the car sharing market. These driving forces, combined with increasing environmental awareness, will have a positive effect on the overall development of the market. A broad range of opportunities are expected for providers of car sharing and innovative fleet solutions in China.

"Market entry will be eased by governmental support in the form of subsidies and preferential policies. Specifically, government subsidies are expected to result in improved conduct of business operations," said Zhang Junyi, Partner at Roland Berger Greater China.

However, challenges remain for car sharing in the Chinese market, including relatively low taxi fares, the preference for ownership over renting, and steadily worsening traffic conditions. In addition, a Roland Berger consumer survey found low awareness among Chinese consumers; 76% are interested, but only 11% had heard of the concept. In order to capture this interest, awareness of car sharing needs to be raised by strong marketing and communication efforts and tailored product offerings.

For entering the Chinese car sharing market while significantly reducing market entry risks, the Roland Berger experts said potential car sharing providers need to account for China's market specifics during the setup of their fleet models, as business models established elsewhere are not directly transferrable. Key differences exist in infrastructure, and sprawling urban areas pose challenges for customer accessibility.

Secondly, it is necessary for car sharing providers to offer different product packages, a diverse array of vehicles, and flexible pricing options in order to capture different consumer groups in China. Sharing operators who provide vehicles with unique designs and integrate electric and/or low-emission vehicles into their car sharing fleets will be successful in China's car sharing market. Additionally, customized and easy-to-access services that enrich the consumer experience must be offered to Chinese consumers.

Thirdly, the experts found that lobbying and cooperating with governments at the national and regional levels will help car sharing providers in a number of ways. Sharing operators who provide vehicles with unique designs and integrate electric and/or low-emission vehicles into their car sharing fleets (and are able to pass fuel cost savings on to customers) will be successful in China's car sharing market. Additionally, customized and easy-to-access services that enrich the consumer experience must be offered to Chinese consumers.

Furthermore, the experts said major cities with strong local governmental support and high customer awareness such as Hangzhou, Beijing, and Shenzhen are ideal cities for piloting car sharing fleet models in China. Pilot cities need to be chosen carefully in order to minimize market entry risk.

"The battle for the Chinese car sharing market has only just begun," said Zhang, adding that "No dominant player has emerged yet in China, leaving great opportunities for a successful market entry and for local vehicle manufacturers."

HEALTH

Raise of the TCM Service Trade

By Huang Jianyin

The status-quo and prospect

In recent years, the characteristics and advantages of TCM in the prevention and treatment of major diseases have been acknowledged by more and more countries and regions, thus the demand for TCM international service is increasing.

At present, TCM trade in services has spread over 100 countries and regions. At the beginning, the international society developed its demand for the TCM acupuncture, the demand now has expanded to cover the TCM acupuncture education. At the same time, some countries recognize some TCM medicines selling as food, food addictives, and health preservation products. With the expansion of the market, the number of practitioners and the demand for TCM education, TCM training and school education have now come to prevail. Nowadays, the majority of the countries in the world precept that TCM health service is the health service of complementary and alternative medicine. Many developed countries start to focus onto traditional medicines, especially to traditional Chinese medicine which has special clinical effect on difficult disease, chronic disease, gerontology, immunopathy, etc.

Taking the U.S. for example, the ten common diseases treated with complementary and alternative medicines by the U.S. publics are aches in waist and back, neck ache, arthralgia, arthritis, Mania, hyperlipemia, respiratory infection, Musculoskeletal diseases, headache, migraine headache and insomnia. The TCM services in the complementary and alternative medicines of the U.S. cover TCM herbal medicine, acupuncture, tuina and massage, qigong and taiji. TCM medicines can be put into market as food, food addictives and health preservation products.

TCM trade in services can combine the manufacture of Chinese herbal medicine and TCM service tightly.

It is the tendency that the combination of manufacture and service products promotes the development of trade in services. For TCM service, medicine and drugs never split apart. TCM trade in services can combine the manufacture of Chinese herbal medicine and TCM service tightly, and promote the adjustment and upgrading of TCM industrial structure, in order to transfer the high output of China manufacturing to high value of China service. In 2013, the gross industrial production of Chinese herbal medicine of China has reached over 510 billion RMB (roughly equal to 82 billion USD), which provides sufficient products for the export of TCM service. However, the scale of either the products export of Chinese herbal medicine, or the service export of TCM is too small to meet the demand from the international society for TCM health service.

In April 2012, the government of China issued 'Some Opinions on the Promotion of the Development of TCM Service in Trade', in which China raises the idea of establishing an improved TCM trade in services managerial system, establishing the promotion system of TCM trade in service and international selling and distribution system with the orientation of the demand from international market, formulating rules and regulations of TCM trade in service, improving the technical trade measures, establishing TCM service standards and striving for the international recognition of the world.

Meanwhile, the aging population will continuously encourage the demand of the TCM health care service trade, and the scale of the TCM service trade will be expanded further.

The main contents

TCM trade in services is a new project of trade in services through the communication and cooperation of TCM based on the domestic TCM service economy of China. TCM trade in services refers to the trade of service related to TCM between different countries.

The research and definition of TCM trade in services can be conducted in both narrow sense and broad sense. In narrow sense, GATS, centering with different sectors, classifies trade in services into 12 major sorts and 142 service projects, in which trade in services related to health is classified as 'health and social service'. According to the CPC Version 2, which is newly published by UN in 2008, health service is categorized into three types: hospitalization service, medical and dental service, and other health service. According to the method, TCM trade in services should be classified as 'other health service'. However, from the aspect of the practice of TCM trade in service and the broad sense, the activities related to TCM trade in service cover many fields, such as medicine, health preservation, education, scientific research, culture, industry and commercial service, etc. As a result, TCM trade in service can be deeply categorized into:

#1. TCM medical and health preservation service: it refers to the medicine, recovery, health preservation and nursing service related to TCM, other TCM service or TCM social service related to human health, and so on.

#2. TCM educational service: it refers to academic education, occupational education, continuing education, short-term training, examinations for grade of professional levels and accreditation service, other service related to TCM education, and so on.

#3. TCM distribution and commercial service: it refers to trade, distribution, logistics, oversea franchise and chain running related to TCM, professional (including consultative) service related to TCM, TCM research and development and related scientific service, TCM translation service, meeting and exhibition service, advertisement service, market investigation and so on.

#4. TCM related tourism service: it refers to sight-seeing, recovery tours, accommodations, herbal cuisine service and so on.

#5. TCM culture, entertainment and sports service: it refers to TCM traditional health preservation service, such as academic exchange, cultural publication, journals and magazines, video & audios, exhibition, wushu and qigong, and so on.

#6. Other related services: some other new services, such as TCM online consultation, consultations of doctors and so on, deprives from the demand for TCM with the progress of economy and technology.

Four provision models

The four provision models of TCM trade in services and their manifestations:

#1. Cross-border payment: it refers to the commercial service related to TCM, such as cross-border TCM online education, online medical consultation service, international consultation of health preservation and accreditation service, etc.

#2. Consumptions abroad: It refers to the education service related to TCM, such as foreign citizens studying in TCM colleges in China, or other TCM educational institutions; health and medical tourism with TCM theme, such as health preservation tourism and medical consultation in China; cultural, recreational and sports services related to TCM, etc.

#3. Commercial presence: it refers that Chinese economic entities or individuals related to TCM in the fields of medicine, education, productions, trade or commerce establish TCM-related economic entities abroad, so as to provide TCM services.

#4. Movement of natural persons: legal entities in China, such as enterprise or institutions dispatch its own personnel, or natural person, such as TCM practitioners go abroad to conduct trade in service related to TCM, such as medicine, health preservation, education, scientific research, manufacture, trade, culture and so on.

(Author: Deputy Secretary General of World Federation of Chinese Medicine Societies)

China's Mobile Phone Industry Keeps Growing

By Lynn Yu

"China's smartphone market will remain relatively high growth in 2014, but its growth rate will drop dramatically compared with the 63.6% growth rate in 2013," said James Yan, Senior Analyst of Client System Research, IDC China.

According to the International Data Corporation (IDC)'s China Quarterly Mobile Phone Tracker (2013 Q3), China's smartphone shipments are expected to reach 420 million units in 2014, with a year-on-year growth of 19.8%.

He explained that an increase in smartphone penetration is likely to be the main cause of the slowdown. Once smartphones are popularized, they are bound to be updated and replaced.

In addition, telecom operators will put forward even higher requirements for hardware configuration of customized new model products in 2014, such as: 5-5.5 inch High Definition (HD) screen, quad-core high-frequency, multi-mode and multi-frequency.

"Accordingly, the mobile phone vendors will need to adjust their strategies constantly to meet the needs of telecom operators. As far as the end users are concerned, price cuts and entries of large number of new models into the market will give them more options." Yan believed that in order to attract the end users and accomplish higher sales targets, the vendors are likely to carry out more diverse market activities and competition in China's smartphone market in 2014 will become more intense.

To stand out in such a competitive market, innovation in technology is an absolutely must. IDC believes that China's mobile phone market will show the following technical innovation trends in 2014:

1. The vote of mobile phone chip vendors for five or multi-mode 4G chip platforms will boost innovation in the mobile industry. 4G chips may not only drive business growth of mobile phone vendors and telecom operators, but also promote innovation in related phone components and mobile services; they may even change the way people use mobile phones. 4G technologies have two standards: FDD-LTE and TD-LTE. IDC forecasts that the 4G mobile phone market in China is likely to first focus on the deployment of triple-mode 4G chips at its early stage. Upon technological maturity of chip vendors as well as improvement of network deployment, there will then be more chip vendors to release five or multi-mode 4G chip platforms. In short, integrated five or multi-mode 4G chip platforms will gradually become the dominant configuration of mobile devices.

2. 2K screen resolution with Low-temperature Poly-silicon (LTPS) technology will be adopted by more high-end smartphones. More end users have begun to use large-screen smartphones to watch high-definition videos, and high-definition screen is the basis for good mobile video experience, so the vendors' demand for high-definition screen is witnessing a rapid growth. IDC estimates that more mobile phone vendors will adopt emerging 2K LTPS screen in 2014, with not only higher resolution, higher color saturation and

Once smartphones are popularized, they are bound to be updated and replaced.

lower cost, but also less power consumption.

3. The application of Optical Image Stabilization (OIS) technology in high-end smartphones will be put under the spotlight. Smartphone cameras have evolved from 2 million pixels to 16 million or even higher pixels, which has been very difficult to have a breakthrough over, while the users' demand for image stabilizer remains strong. IDC estimates that cameras adopting the OIS technology will be given priority in the smartphone development in 2014. The OIS relies on special lens or structures of CCD sensors to minimize image instability caused by users' movements. Compared with the electronic image stabilization, the optical image stabilization enjoys better effects.

4. Collective collaboration among telecom operators, device vendors and financial system is required in order for NFC technology to gain popularity. While there had been some NFC-enabled mobile phones in 2013, few voices were heard in NFC technology market due to lack of promotion by large-scale enterprises and extensive cooperation among up-and-downstream players. Additionally, the limited applications of NFC technology failed to meet the increasing demands from the users. IDC believes the premises of application and popularization of NFC technology in smartphones are the reasonable allocation of multi-party interests in the supply chain, and the initiation and lead of industry-pioneering companies.

The application of Optical Image Stabilization (OIS) technology in high-end smartphones will be put under the spotlight.

5. Bending technology holds promise for the future of mobile phones. The application of bending technology in mobile phones is mainly manifested in: bendable screens and batteries. Currently some breakthroughs have been made in these two bending technologies, alongside with many challenges as well. For example, with screens being bent, it is difficult to maintain high resolution and color purity quality. At the same time, mass production with lower cost will be the key, which poses a challenge and also presents an opportunity for the bending technology. IDC does not believe that the bendable phones will score large quantity shipments in China's market in 2014, but is optimistic about the future prospects of this technology.

6. The application of dual smartphone operating systems will facilitate different experiences for users. Dual operating systems have already been applied on some phones, but the real dual smartphone operating systems are rarely seen. IDC expects that in 2014, competition in the smartphone operating system will be even more intense. Vendors, out of need for innovation and business expansion, will try to develop two operating systems on a single smartphone. The application of dual operating systems will provide users with different and fresh experiences. Meanwhile, multi-operating systems will also provide more space for the development of cross-platform personal cloud service.

CREATIVITY

Chinese Design Needs to **Differentiate** Itself with Creativity and Traditional Heritage

By Audrey Guo

Since Chinese first lady Ms. Peng Liyuan made her first public appearances in state visits, wearing the garments designed by domestic designer brands, which attracted more Chinese attentions on the domestic fashion industry in the following, as well as overseas concerns.

As Creative Director and Chief Designer of Martine Jarlgaard, Ms. Martine Jarlgaard was invited to present The Martine Jarlgaard AW14 at London Fashion Week in the British Fashion Council Emerging Designers Showroom in Somerset House, and at Paris Fashion Week in the Tranoï Talent showroom, Carrousel du Louvre. This April she also was invited to attend China Fashion Forum. Recently, Martine accepted an exclusive interview with *China's Foreign Trade* and shared her point of view on hottest issues including what the Chinese first lady dress influence on China fashion industry, the road of Chinese garment brands go overseas and her understanding of the e-commerce's impact on the traditional garment industries. She believes that China has an remarkable cultural heritage and a treasure chamber of crafts which is key to solidifying the new modern Chinese "design voice".

Q: *What's your view on the dresses that Chinese first lady wore when she made her state-visits? And what do you think of fashion?*

A: The Chinese first lady supporting Chinese designers is encouraging for the domestic fashion industry, and it is also part of a global trend, which seeks to support local and national style as a representation of origin and to signal a sense of belonging.

In the global fashion world, one could almost talk about an identity crisis, where much design has become uniform and lacking in character and authenticity. Too many companies aspire to look like a few "leading" brands and in the end these brands look much too similar.

I am a true believer in originality and authenticity, and I believe that the consumer is hungry for a more interesting and diverse selection of brands at offer. I look forward to see a less diluted fashion landscape, with less uniformity, less copying and a bit more courage and creativity, and leading women supporting homegrown talent is a very good starting point.

To me there is a beauty is finding elements of timelessness and in making things of value and of great quality. The "Martine Jarlgaard" garments are pieces made to outlast the season and to become cherished wardrobe classics, not to be thrown away when the season "dies". We live in a world of many things. My view is that if you do something do it well.

Q: *Do you know any Chinese fashion brands and any designer? What's your point of view?*

A: In an international context I know of a few Chinese brands, typically these companies have been founded by Chinese designers who have been studying and/or working abroad before launching their own label.

Having worked for international companies such as Vivienne Westwood and Diesel I have, of course, also been working with China for exhibitions, special projects, marketing, brand positioning, production etc.

The ambition of China to abandon the "Made in China" perception of the country and to build a more design and quality lead profile is extremely important for China's repositioning in the international fashion business. Italy is a great example of how the "Made in Italy" is a very strong and established brand, which is internationally respected and of the highest quality.

Coming from Denmark I grew up with a strong design tradition and a particular sense of simplicity and aesthetics. In the same way as Scandinavia has a distinctive design signature which has generated profitable business for decades and made Denmark a "design destination".

China has an remarkable cultural heritage and a treasure chamber of crafts which is key to solidifying the new modern Chinese "design voice". To be able to compete internationally this new Chinese voice must differentiate itself. Here I believe that Chinese history, crafts and traditions merged with the vision of the future will be essential ingredients. It is essential by looking inwards but with eyes wide open acknowledging, the importance of having the fingerprint of today and the vision of tomorrow together in one.

Q: *Now China fashion industry is booming. More and more Chinese brands or designers plans to open their shops abroad or have already achieved very good sales outside. What's your point of view and any suggestion on it?*

The sculptural "Leather Boxy Jacket" with the cropped 'Armour Top' in suede worn with the 'High Waist Trousers' in luxurious Italian wool. Made in England. (This is from the AW14 collection which was shown in British Fashion Council's Emerging Designers Showroom during London Fashion Week in February, 2014.)

A: The expansion into new markets is a natural next step for many Chinese brands. However it is paramount to understand the differences between the domestic Chinese market and the international market to secure the success of these ventures.

In the Chinese market, the popularity of using foreign references such as English, Italian and French names and words in Chinese brand names is evident. From a Chinese perspective, a foreign name or word might represent something exotic and suggest a Western heritage whereas the very same word and the trend itself understood by a native English speaker is often very different.

The challenge of Chinese brands consists of developing a strong and recognizable DNA and to be appealing and desirable to an international audience and to understand the diversity of cultural codes and how to see and drive new opportunities.

Q: *This time you also attended the panel of China fashion forum.Which topics that you are interested in and why?*

A: I am driven by my curiosity towards what goes on around us and by asking myself "what if". I care greatly about innovation, creativity and new ways of thinking business so that we can optimize our future both ethically and commercially, as I see these two aspects as being inseparable.

I constantly seek better solutions, looking to build inspiring teams and work together to discover new ideas and products, which will suit tomorrow. Fashion being both visionary, emotional, functional and containing a high degree of value makes this industry an endlessly inspiring place to be.

To generate growth it is essential to understand the importance of innovation, creativity and finding new ways of thinking, communicating and building businesses, this partnered with aspirational business strategy is key for differentiating fashions brands.

By integrating the creative aspect in the fashion business models it becomes the accelerator for creating value, growth and innovation.

The "Turtle Neck Top" with the "Broken Flowers Print" in a digital print with the "Peep Skirt" in a light suede. Made in England.
(This is from the AW14 collection which was shown in British Fashion Council's Emerging Designers Showroom during London Fashion Week in February, 2014.)

Q: *The traditional retail is effected by e-commerce. More and more customers are used to buying online. what do you think of it?*

A: E-commerce being two-dimensional and pixelated has, in some ways, reduced the shopping experience to an entirely digital experience. Some aspects of the fashion product such as hand-feel, delicate textures, intricate weaves and finishes are lost when a product is portrayed online.

However, the convenience and accessibility of e-commerce does undeniably match our modern lifestyle and its popularity has reshaped consumer patterns fundamentally. The fragmented, ever changing and somewhat chaotic time we live in along with social media and our online "lives" have wired us to expect instant response and delivery and social inclusion. This is bound to affect the way we interact, consume and live and also the way we want fashion to be.

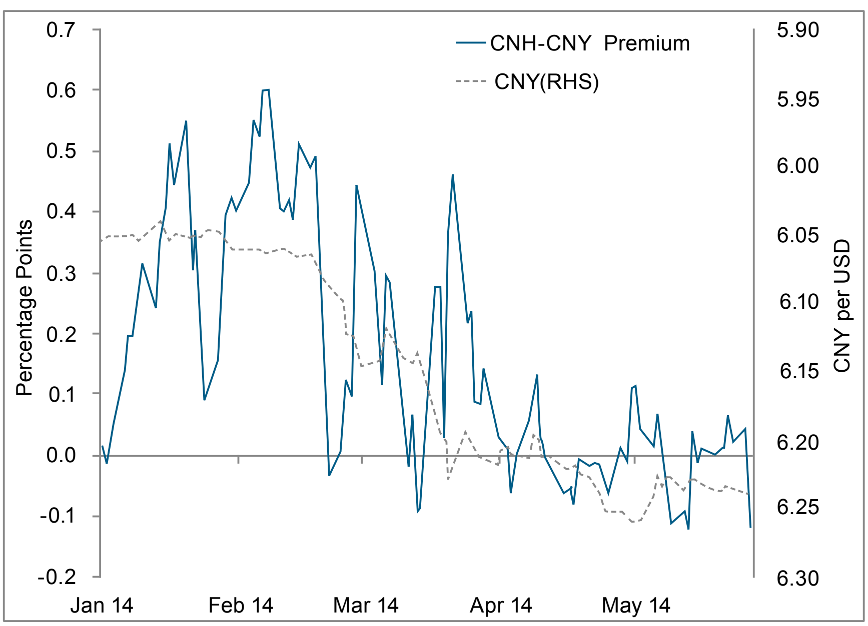
Growth of CNH Deposits

By Kent Troutman, Joseph E. Gagnon

Over the past several years, few topics in international finance have captured the imagination of academics, pundits, and policymakers as has the prospect of a global renminbi (RMB) that could challenge the role of the dollar or the euro. Chinese policymakers for their part, have embraced the more limited goal of increasing international usage of the RMB, while not publicly advocating full reserve currency status and the free convertibility such status would require. Yet the international use of the RMB has been an important element of China's reform agenda, as most recently stipulated in the statements in and following the 3rd Plenum last year. To this end, China has announced the promotion of offshore RMB centers in Hong Kong, Singapore, Taipei, Singapore, London, Frankfurt, Paris, and Luxembourg, to the delight of offshore investors eager to invest in the RMB, which has not depreciated significantly against the dollar since 1994 and is widely (though not universally) viewed as having further room for appreciation given China's strong economic fundamentals.

In our recent Policy Brief, we find that the most important mechanism behind the increase in offshore RMB assets has been the ability of exporters and importers to settle their foreign transactions in RMB. As we explain, the free convertibility of offshore RMB (or CNH) into foreign currencies has caused the CNH exchange rate in terms of foreign currencies to deviate from the onshore rate (CNY). When foreigners are bullish about the future value of the RMB, they push up CNH so that it trades at a premium to CNY. This gives Chinese importers an incentive to pay for their imports offshore, because they can convert CNY to CNH at par, yet CNH buys more foreign exchange. Chinese exporters have an incentive to accept payment offshore when CNH trades at a discount to CNY, but that occurs more rarely. Our key finding is that excess trade settlement by Chinese importers relative to exporters, in response to the typically observed CNH premium, is the main driver of growth in the supply of offshore RMB. This increase in supply helps to satisfy foreign demand and hold down the CNH premium.

Chart 1: CNH-CNY premium vs CNY level (as of May 27, 2014)



Source: Bloomberg

Some speculated that the unexpected (even if policy-driven) downdraft in the CNY in February and March 2014 would cause an exodus out of CNH, possibly causing strains in the Hong Kong banking system given its growing CNH activities and its rising claims on the mainland. As shown in Chart 1, although at the start of the CNY weakness in mid-February the CNH briefly traded at a discount to the CNY, investors quickly recovered their sanguine view of the CNH and the premium for the month of March averaged 0.16%, above the historical average of 0.10%. In our Policy Brief, we estimate that a full percentage point premium leads to approximately CNH80 billion increase in deposits each month. For March, with an average premium of 0.16%, our findings would predict an increase of CNH24.7 billion in CNH deposits. The recently released data frotem the HKMA shows that deposits indeed rose by CNH25.2 billion.

In April, sentiment shifted more decidedly against the RMB as investors attempted to parse the signals coming from the macroeconomic data as well as from policymakers in Beijing with respect to their currency policy. As such, for the month of April, the CNH traded at a tiny discount of -0.002%. Our findings predict a slowdown in deposit growth to approximately CNH19 billion for April, and a further deceleration to CNH16 billion in May should the current discount of -0.004% persist for the whole month.

(Authors: economists from Peterson Institute for International Economics)

张丰鸿

ZHANG FENGHONG

Zhang Fenghong, once named Zhanghong Zhiren, was born in Pingyu County, Henan Province on September 9, 1962. Zhang loved painting and calligraphy since his early childhood and began to study in Beijing starting from 1982. During the time in Beijing, Zhang first followed Professor Zhang Zhenshi from Central Academy of Craft Art to learn about portrait painting and then obtained guidance on painting arts from Professor Wang Linyi (once recommended by Xu Beihong to study in France) from China Central Academy of Fine Arts. Afterwards, Zhang was admitted to China Central Academy of Fine Arts. Apart from hard school learning, Zhang benefited a lot from the guidance of Dai Ze (professor from China Central Academy of Fine Arts) and Mu Jiaqi (professor from Tianjin Academy of Fine Arts), who highly appreciated Zhang. Now Zhang serves as the Director of the Membership Dept. of the International Calligrapher and Painter Federation and acting council chairman, researcher of Chinese painting, Deputy Director of the Art Commission of China Jiangxinghanmo Calligraphy and Painting Institute, Counselor of the Arts Network of People's Daily and council member of Global Chinese Descendant Patriotic Association.

Individual exhibition:

June 2004, International Celebrity Creation Individual Exhibition, location: Rongbaozhai in Liulichang

July 2004, Exhibition to Celebrate the 35th Anniversary of China-Venezuela Diplomatic Relations (exhibition of Venezuela's Celebrities in history), location: Venezuela Embassy in China

Group exhibition:

December 2007, Modern Art Achievement Exhibition—Modern Artist Conference

May 2009, China Taoism Culture and Painting & Calligraphy Art Collection—Painting & Calligraphy Exhibition to Celebrate the 60th Anniversary of China's Founding

August 2009, Painting & Calligraphy Exhibition to Celebrate the 60th Anniversary of China's Founding and to Memorize Premier Zhou Enlai

November 2009, China International Health Preservation Painting & Calligraphy Competition

December 2010, Chinese and Overseas Painting & Calligraphy Exhibition to Celebrate the 50th Anniversary of China-Cuba Diplomatic Relations

Honors:

In December 2007, the Chinese painting "Torrent" was awarded the golden prize on the Modern Art Achievement Exhibition—Modern Artist Conference, which was jointly held by Chinese Culture Promotion Society, China International Association for Urban and Rural Development, Chinese Institute of Prose, Chinese Reportage Association, Poetry Institute of China and China Artistic Photography Society.

In August 2009, the Chinese painting "Zhong Kui Portrait" was honored the gold award tablet on the Painting & Calligraphy Exhibition to Celebrate the 60th Anniversary of China's Founding and to Memorize Premier Zhou Enlai.

In December 2009, the Chinese painting "Lao-zi Portrait" was granted the gold award on China International Health Preservation Painting & Calligraphy Competition and it was tailor-made into hundred-long Hunan-embroidery scrolls and then presented to United Nations Educational Scientific and Cultural Organization and Guinness World Records headquarters.

Zhang's works have been published by several dozens of newspapers and magazines such as People's Daily, Guangming Daily and China's Foreign Trade. Besides, Zhang's works have also earned several dozens of media reports, including people.com.cn and CCTV.

China's Express Industry Surges

By Richard Zhu

China's express industry is surging and will continue to grow rapidly driven by macroeconomic growth, development in the central and western regions and a sustained growth in E-commerce, according to a recent report by Deloitte.

No. 2 market size in the world

The report showed that China's express industry completed a business volume of 9.2 billion pieces in total in 2013, bringing its market size to the second place in the world with a growth rate of 61.6% on a year-over-year (YOY) basis. Average daily business processing volume exceeded 25 million pieces across the country and the maximum daily processing volume broke the record of 65 million pieces. For the first time in history, the monthly business volume hit the one-billion-piece threshold in the single month of November. China's express delivery business volume more than tripled in the years from 2006 to 2013 at an average annual growth rate of 36%. The market has been growing at an unprecedented rapid rate of 57% annually on average especially since 2010. The monthly express delivery volume in November and December of 2013 both surpassed the yearly volume in 2006.

In 2013, the total operating income generated by China's express enterprises reached RMB 144.2 billion with a YOY growth rate of 36.6%. The income in the single month of November broke the record of RMB 16 billion, which is a record high in the history of express delivery for the month of November. The income in express delivery nearly quadrupled from 2006 to 2013, growing at an annual rate of 25.6%.

The overall market indicates that cross-region deliveries predominate in the whole express delivery. The cross-region delivery business and operating income accounted for 70% and 60% respectively of the total express delivery volume and operating income in 2013, higher than the percentage of intra-city delivery and delivery to and from Hong Kong, Macao and Taiwan.

While the recent YOY growth rates in cross-region delivery volume and operating income remain at around 50% and 30%, the intra-city delivery business has shown a strong growth rate since 2011 that is a distant leader over cross-region, international and Hong Kong, Macao and Taiwan business, as well as the overall growth rate of the express industry. In 2013, the YOY growth rate in intra-city delivery volume remained at 80% across the board, surpassing that of the cross region business by about 20% on average and nearing 30% of the total express delivery business volume.

Compared to the continuous higher growth rate in the express service market than that of the GDP in China for the past ten years, the unit price in the express industry, cross-region, international and Hong Kong, Macao and Taiwan businesses have followed a downward trend. The growth rate in business volume has outpaced that in the income in the express industry, which is a reflection of an increasing competition in the industry especially in the E-commerce express delivery field that results in the continued drop of the unit price.

The study found that in 2013, the express industry has witnessed some healthy and rapid development in key economic regions such as the Pearl River Delta, Yangtze River Delta and Beijing-Tianjin-Hebei Region. These key regions took up over 70% of the shares in both the volume and operating income of the express industry in the country, which displays an apparent characteristic of spatial aggregation in the express industry in China. The Yangtze River Delta region leads the three regions by scoring an annual volume of 3.35 billion pieces and an operating income of RMB58 billion from the express delivery services. In 2013, Guangdong, Zhejiang, Jiangsu, Shanghai and Beijing topped the chart in terms of the scale of express industry.

Participation of numerous players

According to the report, currently, private enterprises quickly rose to transform China's market from "dominance by one big player" to "participation of numerous players". In 2013, more than 8,000 express enterprises with over 20 major brand names were operating in China.

The report noted that 2013 was a fairly good year for all the major express enterprises. Among the 20 major express brand names across the country, EMS, SF, STO, YT, ZTO, Yunda, Tiantian, HTKY, ZJS and CCES were the top ten with a combined business volume accounting for 87% of overall express delivery business in China.

China's current express service market is characterized by the transformation from the monopolized structure dominated by EMS to the multiple structure full of competition by multiple players. Since 2007, the degree of competition has been increasing in the express industry and concentration has been decreasing. The share of the aggregate income from the top four enterprises (CR4) has dropped from 70.6% to 55.9% and the share of the aggregate income from the top eight enterprises has dropped from 86.4% to 80%.

China express enterprises expand their business through self-operation or franchise. In the self-operation mode, the express enterprises invest in, construct and operate their own express delivery network including infrastructures such as distribution

In 2013, the private express enterprises completed the delivery of 7.25 billion pieces, a growth of 69% on YOY basis that surpassed that of the state and foreign enterprises by 28% and 56% respectively.

center and outlets in each city.

Now, other than EMS, SF and the foreign-owned FedEx, DHL, UPS and TNT that operate on self-operation mode, other brand enterprises, namely the "Four Tongs and One Da", are mainly operating in the franchise mode.

The Deloitte findings showed that private express enterprises have been growing at a high speed. In 2013, the private express enterprises completed the delivery of 7.25 billion pieces, a growth of 69% on YOY basis that surpassed that of the state and foreign enterprises by 28% and 56% respectively. Meanwhile, private enterprises fetched RMB 9.738 billion in operating income, growing at 52%, which led the state and foreign enterprises by 55% and 2% respectively. The business volume and operating income by the private express enterprises accounted for 79% and 68% of the overall express delivery volume and operating income respectively in the country in 2013 and are still increasing.

In terms of business volume, the market share gained by private enterprises climbed from 35.4% in 2007 to 78.9% in 2013, increasing by 43.5%, while the market share by the state enterprises declined from 59.3% in 2007 to 19.9% in 2013, decreasing by 39.4%.

If measured by express delivery volume, the intra-city express delivery is dominated by private enterprises that account for nearly 90% of market share. Other than EMS, the state enterprises including Sinotrans or civil airlines do not have intra-city express delivery services. The state enterprises only account for 10% of the market share.

Foreign enterprises do not engage in intra-city express delivery service. The cross-region express service market is also dominated by private enterprises that account for nearly 80% of the market share with the remainder split between state enterprises (20%) and foreign enterprises (0.2%). The international, Hong Kong, Macao and Taiwan service market is evenly divided among the three major players with private enterprises taking a slightly higher portion of 39.2% market share, state enterprises taking 32.5% share and foreign enterprises gaining the remaining 28.3%.

Affected by factors such as market access, market positioning and market selection, the state, private and foreign enterprises have different focuses and demonstrate different performances in terms of the business scope, scale and prices.

"As a result of differences in the development history and background, the state, private and foreign enterprises have their own strengths and weaknesses in terms of policy, technology, talents, management and services, and have, by complementing each other, jointly created a market that is headed for the direction of sound and promising development," the report concluded.

The future with huge potential

Deloitte forecasted that by 2015, China's express sector will become an industry of RMB 280 billion in size with an average annual compound growth rate of 39.4%.

As for overall industry environment, the report said it keeps improving. Since the amendment and implementation of the Law of the People's Republic of China on Postal Services in 2009, the legal positioning of express enterprises is further clarified, and a unified and open express service market with orderly competition has been gradually established. The ensuing Administrative Measures on Express Service Market, Administrative Measures on Licensing of Express Service Business and the legislation of Regulations on the Management of Express Service Market that is being promoted have played important roles in pushing forward the healthy development of the express industry, enlarging and empowering express service entities and protecting the legal rights and interests of consumers.

In order to promote the synergetic development in E-commerce and express service industry, the cross department cooperation will be accelerated, and integrated solutions that concern multiple departments such as the Opinions on the Healthy and Fast Development in E-commerce Business will be launched successively.

For the purpose of pushing forward the development in E-commerce to a higher level and coordination among departments including E-commerce, postal service, logistics, etc.

In terms of industry development, the report predicted that the sector will see accelerated pace toward rural areas, western regions and overseas market, and M&A and integration will become important drivers in the development of the industry.

Under the circumstances of expanding E-commerce pilot programs by the country, express enterprises will be more incented to explore the overseas markets of international express delivery, which will increase the value added to the international express delivery services and enhance brand effect. In addition,

demand for sending and delivery services from and to the rural areas and western regions will shoot up with the increasing popularity of internet and E-commerce in these places.

These demands will become the blue ocean for the express industry at the moment. Meanwhile, the policies that have been introduced successively to improve urban distribution and last-leg delivery services have, to a large extent, ensured that the network layout and infrastructure construction be accelerated in rural areas and western regions.

Currently, there are nearly 8,000 express enterprises in China. Small and medium enterprises that are under the pressure of growing costs and decreasing profits are likely to be eliminated from the competition if they do not receive new capital injection to fund rapid expansion. The industry will see more frequent small amount M&A deals in the future and the entry by the upstream manufacturers into the express industry will speed up integration and drive up the degree of industry concentration, making integration by M&A an important impetus that pushes the industry to move forward.

Currently, there are nearly 8,000 express enterprises in China.

Currently, all the four global giants in express business have their own airlines. FedEx owns and leases 634 airplanes and established 10 air distribution hubs in the world; UPS owns and operates 237 leased airplanes and rents 388 airplanes of other types; DHL also has four airlines and a large air fleet of 420 airplanes.

The development of air express delivery service has gone through three stages: First, rent freight space; second, charter airplanes; third, build up the airline of their own.

Most of the privately-owned express enterprises in China are now in the stage of renting freight space, which are not competitive in terms of timely delivery. In the future, the Chinese express enterprises will gradually switch from renting freight space and chartering airplanes to establishing their own airlines in order to increase air transportation capacity to face the competition in the high-end and international air express delivery services.

In terms of enterprise development, the report forecasted that traditional and self-operated E-commerce express enterprises will be developed through competition and cooperation and there will be diversified development in products and services.

As E-commerce giants such as Alibaba, Jingdong and Suning enter the industry by establishing their own express companies, traditional express enterprises are faced with more fierce competition. Once the E-commerce enterprises take advantage of the big data and their business to operate express delivery on their own, the privately-owned express enterprises that highly depend on E-commerce business may be forced into the last-leg delivery. To avoid such a situation and enhance comprehensive competitiveness, the express enterprises have begun to enter the E-commerce business so that they can expand and increase transaction volume. In the future, it is likely for express enterprises and E-commerce enterprises to develop their business by stepping into each other's territory.

The Chinese express enterprises need to further develop diversified and multi-level service product portfolio in the future to meet the needs of different customers and maximize the international market share. The four global giants in this industry have expanded their business to cover the areas from logistics, E-commerce, finance, insurance to consultation after years of development.

In addition to the basic services such as E-commerce and supply chain management, UPS has also established the UPS Capital that provides collection-related financial services; FedEx has established quite a number of financial service centers in the world, while DHL has independently developed many transportation insurance products, and its parent company owns financial institutions like Deutsche Postbank AG.

In terms of technological development, the report predicted in the next 5-10 years, the market will continue to show a strong demand for express delivery service. The government will intensify the efforts in driving sustainable development, while the manufacturing technologies in the upstream sectors of the express delivery service, such as manufacturing industry, are expected to head for the direction characterized by high-end, precision, green and convenience, which will bring profound impact on the express industry.

China and South Asia to Upgrade Cooperation Mechanism

By Xu Rongzi

"China and the South Asian countries are friends sharing weal and woe, but also business partners for win-win cooperation," said Wang Yang, member of CPC Central Committee Political Bureau and vice premier of the State Council on the opening ceremony of the 2nd China-South Asia Expo—22nd China Kunming Import & Export Fair in May.

In 2013, the China-South Asia bilateral trade volume hit USD 96 billion and the Chinese enterprises invested a total of over USD 4 billion in South Asia to complete projects worth USD 85 billion, which benefited both sides. China-South Asia cooperation is stepping into the most active and fruitful era.

"10 years ago, China-South Asia trade volume was only USD 5.6 billion. Now 10 years later, the nearly 17 times increase in trade volume fully proves that great demands exist in the South Asian and Chinese markets. This also signals that there promises great potential for trade between South Asia and China and among the South Asian countries," said Yu Ping, vice chairman of China Council for the Promotion of International Trade (CCPIT).

According to Yu, located near South Asia, China has a huge market with a large population and diverse demands. China and South Asia have highly complementary economic structure and their own industrial advantages. At present, China is greatly pushing forward economic restructuring and industrial upgrading by encouraging enterprises to "go global" for investments and industrial relocation. In the mean time, the South Asian countries are enhancing manufacturing level, improving trade structure, attracting inbound investments and strengthening infrastructure construction. Therefore, there lies great possibility for South Asia to conduct economic cooperation with China.

Perspective from South Asia: to cooperate with China in more domains

Ismail Asif, chairman of South Asia Chamber of Industry and Commerce regards that both the South Asian countries and China are ushering in a critical period for economic development. China is supposed to invest more in South Asia in a bid to boost the local economic development. Asif suggests that with more cooperation in terms of energy, natural gas, education, tourism, transportation and agriculture, China and South Asia will make investment more convenient with trade barriers lifted and sign bilateral agreements to plan future development.

"In spite of increasing trade volume, South Asia cares much about trade deficit. Both sides should establish a really win-win cooperation mode. With more investments from China, South Asia will see rapid development and a balanced trade structure," said Asif.

Some leaders from South Asian countries expressed that they welcome more investment from China. Hasina, premier of Bangladesh hopes that China will import more garment, drug, handicrafts, ceramic tiles, leather products and fishing products from Bangladesh and more Chinese enterprises are supposed to invest in Bangladesh. "China's support on the infrastructure construction such as highway & bridge building, urban transportation and electricity projects has really boosted our economy. Besides, we also welcome the Chinese enterprises to focus more on the high added-value domains including pharmacy, petrifaction, ship building, agriculture, textile, leather, tourism and communications," added Hasina.

With more investments from China, South Asia will see rapid development and a balanced trade structure.

Budjudy, minister of Sri Lanka Ministry of Industry and Commerce remarked that China-Sri Lanka trade is developing steadily and the year of 2013 saw a bilateral trade volume of USD 3.69 billion. "After a deep understanding of the Chinese market, we find that some products like rubber, minerals and fishes can be exported to China. Cooperation is expected to be expanded to more sectors, including tourism, and investment is also expected to increase," said Budjudy.

Rehman, executive director of Pakistan Council in China regards that China has played an important role for South Asia to address the financial crisis and it is noted that both China and the South Asian partners have witnessed bigger trade volume. "China encourages more domestic enterprises to invest in South Asia, which is helpful to boost China-South Asia relations. The South Asian countries are supposed to adjust industrial and trade structure and improve investment environment so as to attract more FDI from China. Rebalanced trade and industrial restructuring will bring China-South Asian economic cooperation to a new level, " he said.

Thapa, secretary-general of South Asia Chamber of Industry and Commerce holds that the South Asian market is far from being fully tapped. Attracting enterprises from different countries to exhibit their products, China-South Asia Expo plays an active role in expanding South Asian exports to China and improving trade structure as well as attracting more Chinese investments.

Perspective from China: Yunnan to serve as bridgehead for China-South Asia cooperation

According to Wang Yang, vice premier of the State Council, China values the cooperation with South Asia and will strive for a balanced trade structure with the South Asian countries by importing more quality commodities from South Asia; the Chinese enterprises are encouraged to invest more in the infrastructure construction of South Asia; China will continue to do its utmost to help the South Asian countries.

Wang pointed out that as China's Yunnan Province serves as the bridgehead to open to the southwest, the Chinese government supports Yunnan to have more economic ties with South Asia and Southeast Asia and overseas enterprisesare highly appreciated to conduct economic and trade cooperation and communication in Yunnan.

Qin Guangrong, secretary of Yunnan Provincial Party Committee said that in the past 10 years, with more China-South Asia communications, Yunnan had witnessed increasingly closer contact with South Asia. With expanded cooperation domains and upgrade cooperation level, Yunnan will have industrial cooperation with South Asia; financial cooperation is to be strengthened by expanding bilateral local currency settlement businesses; cooperation organized by the commercial agencies from Yunnan and South Asia is to be deepened in order to improve the bilateral business cooperation mechanism; the two sides will have more cooperation and communication in such domains as education, technology, culture and media press.

Yunnan's service trade has ushered in a prime period for rapid development. By the year of 2013, Yunnan's service trade imports & exports volume amounted to USD 5.4 billion, up 34% year-on-year, much higher than the nation's 20% average hike.

"Yunnan has tremendous potential to develop service trade," said Sun Zhenyu, former vice chairman of Ministry of Foreign Trade and Economic Cooperation and China's ambassador to WTO. To deepen South-South cooperation, Yunnan's functionas a bridgehead has to be brought into full play.

Sun pointed out that the completion of Kunming-Bangkok railway willstimulate economic cooperation and tourism between China and Thailand, Myanmar and Laos and then boost economic cooperation between China and South Asia as well as Southeast Asia. Now Kunming's international airlines may access all the capitals in South Asia and Southeast Asia within 5 hours. In addition, infrastructure construction and communications network plays a solid foundation for cooperation.

According to Jin Baoping, vice secretary-general of the Chinese Academy of Social Sciences, great potential exists for cooperation between Yunnan and South Asia as well as Southeast Asia owing to their adjacent location and highly complementary industries. Jin introduced that China's "One Belt and One Road" proposal (the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road") had earned wide recognition in theinternational community.

This year's China-South Asia Expo had indoor exhibition booths of 3,188, up 31.7% year-on-year and outdoor booths of 7,500 sqm, all of which accommodated 46 countries and regions. The 5,600-sqm service trade hall, which made its debut in this year's Expo, was one highlight of the Expo. The service trade hall exhibited products from various sectors, ranging from communications, finance, tourism, news publishing, education, investment cooperation, e-commerce to logistics (incl. air logistics).

Japanese Companies still Confident though Investment Decreases

By Lily Wang

Japanese companies may be investing less in China, but they have by no means given up on the market, according to a report by the Japanese Chamber of Commerce and Industry in China that was released recently.

In its annual white paper, which discusses key issues facing Japanese companies in China and makes recommendations to the government, the chamber said Japanese companies still have strong intentions to expand in China.

"We hope this paper will promote dialogue and cooperation between the Chinese government and Japanese companies," said Shinjiro Sawada, chairman of the chamber.

With regard to companies' intentions to invest in China in the next year or two, the ratio of those planning to increase investment was 54.2%, up about 2 points year-on-year.

Another 39.6% said they will maintain the current level, according to a survey conducted by the Japan External Trade Organization in October and November 2013.

"Most of these who hope to keep up the momentum in China are producing and selling in China, such as food companies," said Yoshihisa Tabata, vice-chairman of the chamber.

Tabata said that traditional manufacturers focusing on processing trade in industries such as electronics and fiber may shrink their operations or shift to cheaper markets.

The paper noted that with increasing costs for materials and labor, and growing concerns about the risk of having too many resources concentrated in China, Japanese investment in China slid in the latter half of 2013.

In the white paper, the chamber reiterated the commitment of Japanese companies to China and noted that Japanese companies had helped Chinese companies to strengthen their technology levels, improve their business efficiency and become more competitive on both the supplier and customer sides.

However, the chamber also called for equal treatment of Japanese companies in China.

The paper called for the development of rules for a market-oriented economy and adequate implementation, the loosening of excessive government regulations and equal treatment of domestic and foreign companies and application of global standards.

According to the report of Japan External Trade Organization (JETRO) in 2013, the lower the proportion of enterprises' exports (the higher proportion of domestic sales), the stronger their intention to expand the business is; the more no non-manufacturing employees, the stronger intention to expand business, 83.7% chose the reason of "sales growth", second choice is "great potential" (48.8%).

In the January-May period this year, overall nonfinancial foreign direct investment in China rose 2.8 percent to $48.91 billion. However, FDI from Japan slumped 42.2 percent, according to the Ministry of Commerce.

Nevertheless, Japan was still among the top five investors in China.

Still, according to Yoshihisa Tabata, Japanese companies, especially those in the vehicle and electronic sectors, are losing competitiveness in the global context.

Moreover, they are confronted with fierce competition as more foreign companies battle for market share and local companies gain strength.

When mentioned if the relation between China and Japan really bothers the most, Yoshihisa Tabata said, "It is telling lies to say political factors have no impact. But we should not read too much. Enterprises need to go back to the 'orbit' of 'business is business', follow the laws of the market, and further tap the market. The rational choice for us is to promote the development of bilateral economic and trade relations between two countries."

Nevertheless, Japan was still among the top five investors in China.

European Firms Face More Pressure

By Richard Zhu

European firms in China will not see current business pressures easing in the short-term amid a Chinese economic slowdown, according to a recent survey released by the European Union Chamber of Commerce in China and Roland Berger Strategy Consultants.

The Business Confidence Survey 2014, compiled with input from over 550 European companies operating in China, showed the financial performances of European companies in China have further weakened amidst tougher business conditions, and a sense of pessimism is becoming entrenched as persistent market challenges show little sign of abating. This is leading many firms to set more modest expectations and scale back their investment plans for the Chinese marketplace.

However, implementation of meaningful reforms and, in particular, increased market access would likely spur a re-intensification of European investment in China, said the survey.

Growth figures for revenue, profitability and profit margins continued to decline across the board for European firms in China. Going forward, companies do not envisage these current business pressures easing. Labor costs are expected to continue to rise, competition is set to further intensify and the Chinese economic slowdown is now regarded as the primary challenge to business in the short-term.

According to the survey, the proportion of companies reporting year-on-year increased revenues continued to decline from 75% in FY 2011 and 62% in FY 2012 to just 59% in FY 2013. Likewise, there was a continued decline in the proportion of profitable companies, from 74% in FY 2010 to just 63% in FY 2013. Almost half (46%) of European companies believe that the "golden age" for multinational companies in China has already ended.

China is certainly still a strategic market for European companies, affording significant opportunities.

The surveyed European companies believed the sheer size of China's marketplace means that it will continue to offer substantial opportunities and remain strategic for them, but this new sober reality is leading them to trim down their investment plans for China and look for opportunities outside of China.

Of the companies surveyed, only 21% of companies ranked China as their top global destination for new investments, a drop from 33% just two years ago. Only 57% plan to expand their current China operations in the short-term, down from 86% just one year ago. Almost half of the European companies surveyed (48%) regularly review investment opportunities outside of China but still within the Asia region.

Market access is seen as a main problem. European Chamber member companies missed out on an estimated EUR 21.3 billion in revenues due to market access and regulatory barriers in 2013. Meaningful implementation of reforms would prompt European companies to scale up their investment plans in China, but increased market access is the factor that would induce the largest re-expansion of investment.

"Although the reform agenda laid out in the Third Plenum Decision and other policy developments over the last year are regarded as positive, European firms are yet to be convinced that real change will be made in the coming one to two years. Instead, it is market-opening reforms that present an immediate opportunity. A lifting of market access constraints would spur over a half of European companies to re-intensify their China investment plans," said Jörg Wuttke, President of the European Chamber.

"China is certainly still a strategic market for European companies, affording significant opportunities. If there are more positive policy developments, specifically greater market access and lower regulatory barriers, increased investment would follow," said Charles-Edouard Bouée, President of Roland Berger Strategy Consultants Asia.

Shen Danyang, spokesman for the Ministry of Commerce (MOC), told a press conference that the MOC values the problems and suggestions reflected in the survey. Meanwhile, he stressed that the problems are not new and are common ones faced by most developing countries.

"With domestic political stability, expanding market size, increasing industry openness and improving business environment, China still has comprehensive advantages in attracting FDI," said Shen.

Shen added apart from shortening approval time limit for foreign investment and simplifying reporting procedures and documents, the MOC will intensify reform, expand market access and improve investment environment with relevant departments in order to enhance China's attractiveness of FDI.

Press conference at the German Embassy

German Companies Remain Robust in China

By Guo Yan

"German companies operating in China are performing robustly and remain relatively optimistic despite the economic slowdown. The survey shows that Chinese market remains a key growth driver for German Companies, " Lothar Herrmann, chairman of the northern division of the German Chamber of Commerce in China, said at a press corference about the release of the Business Confidence Survey 2014 on June 19 in Beijing.

The survey conducted by the German Chamber of Commerce in China between May 12 and June 6 2014, in which, 417 member companies participated in the survey, giving their opinions on topics including business performance, current market conditions and future investment plans. For the first time, over 50% of the companies reported that they have operated in China for over a decade. These companies are now experiencing moremoderate growth rates, since their focusis shifting from rapid growth to increase of productivity.

China as a key market for German companies

China has developed into a key market for German industry, and a major source of growth, as markets in Europe and the US have been struggling with low economic growth. The Chinese market is the single largest for 15.0% of the German companies' global operations, while for 46.5% it is among the top 3 global markets. German companies operating in China tend to be dominated by small to medium size operations, representing the economic importance of the "Mittelstand" in Germany.

The majority of German companies (74.8%) are located within China's first-tier cities in Shanghai, Beijing, Guangzhou and Shenzhen. These cities are key hubs for the three major economic clusters in the Yangtze Delta, the Bohai Rim, and the Pearl River Delta, which have been the major destinations for foreign direct investment in China. Investment in lower-tier cities (25.2%) is for sufficient time for companies to develop their business sentiment for the remainder of 2014.

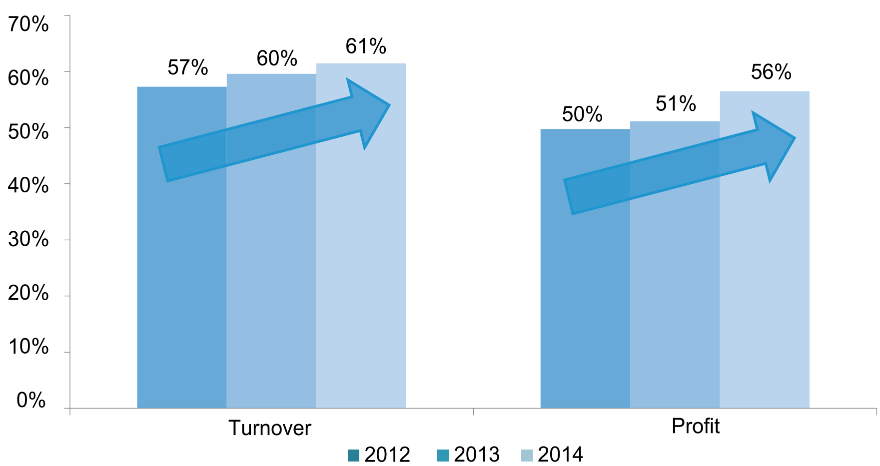
In terms of profit contribution to German companies' global operations, 11.6% report China as the biggest single market, while 44.9% report it as among the top 3 global markets. Its importance as a global market has, despite slower economic growth in China, continued to increase for both turnover and profit, increasing 1.9 percentage points and 5.3 percentage points respectively since 2013.

German companies operating in China are mainly motivated by the sales potential (73.6%). Lower production costs are only an important factor for 33.4% of companies, while the ability to adapt to local requirements is important to 52.6%. The importance of the Chinese market on the other hand continued to increase, with 76.9% identifying domestic demand in China.

HR issues remain the biggest challenge for German companies in China

According to the survey, HR issues remain the biggest challenge for German firms operating in China. However, a comparably smaller

Figure 1: China as top market for German parent company in global business



percentage considers them to be major business obstacles than in the previous years. Rising labor costs (72.2%), finding (74.1%) and keeping (67.2%) qualified staff remain the biggest challenges for companies in 2014. Overall, German companies appear to have gained experience in how they deal with HR-related challenges in China.

For the first time, slow internet speed has become the biggest non-HR related challenge companies are facing. In 2013, 49% of companies described it as a problem, while in 2014 59% are worried about the speed of the internet. Domestic protectionism, labor disputes and industrial action as well as protection of intellectual property saw the biggest increases amongst the list of challenges to overcome in China.

Despite the expected increase in competitive pressure from Chinese companies, the majority of German companies (50.3%) do not believe that the increase will be the result of increased patent applications. Looking at intellectual property aspects from a different angle, 27.0% of companies have been confronted for intellectual property violations initiated by Chinese firms, while for the vast majority (73.0%) these confrontations have no effect.

Upcoming reforms are expected to have potentially positive impact on business

Lother introduced that Chinese economy is continuing its transition from a high growth period to a period of more moderate growth. As the government rebalances the economy and initiates reforms to better position it for long-term growth. Nearly 70% of respondents think that policies such as the increase of domestic consumption, environmental protection and measures to strengthen the role of the market have potential to affect their business in a positive way. For 2014 the majority of German companies (59.6%) forecasts that they will exceed or achieve their business targets, while 54.7% in 2013.

German companies are performing robustly and have adapted well to newly evolving market conditions. Key industries for German business have also generally been less affected by the current economic slowdown. Data from the National Bureau of Statistics show that revenue increases at machinery and automotive companies have been growing more robustly than the average 8.4% between January and April in 2014.

Although business is expected to remain robust in 2014, a higher share of companies is becoming more cautious about expanding too rapidly. German companies are slowing down their expansion plans for employment and investments and generally are becoming more risk adverse. Accordingly, 80.6% of companies engaging in manufacturing in China identify productivity improvements as a major factor for achieving business targets. Investment activity for 2014 is projected to remain similar to 2013.

More companies prefer to invest in new locations. Investment activity for 2014 is projected to remain similar to that of 2013, with 45.3% of companies planning to increase their investment in the future. As in previous years, the Yangtze Delta, Bohai Rim and Pearl River Delta regions are being reported as the most attractive locations for new investment. The cities of Chengdu and Chongqing are most likely to become the next German business hubs, while the Central and Northeast regions seem to be less attractive. First-tier cities such as Beijing and Shanghai will continue to attract 25.5% of companies as an investment location within the next three years.

Figure 2: Impact of government policies

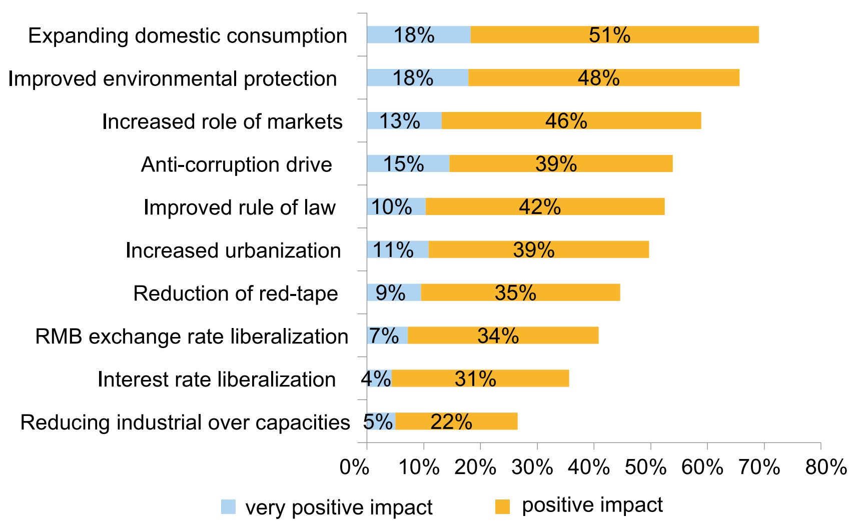
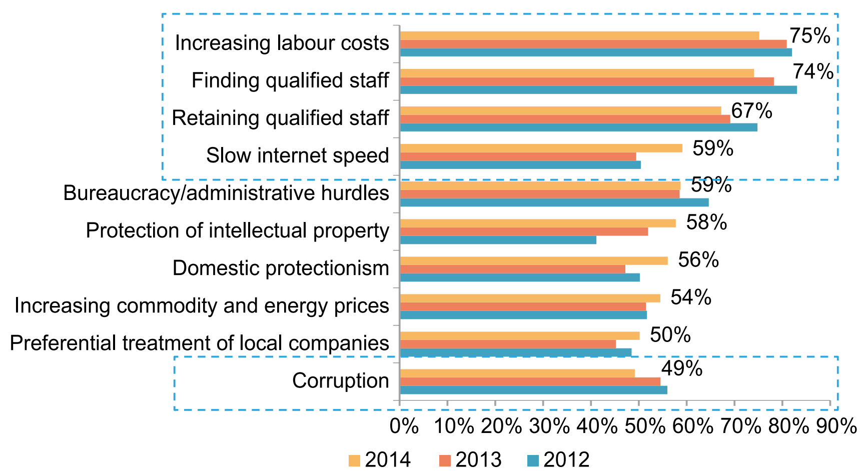
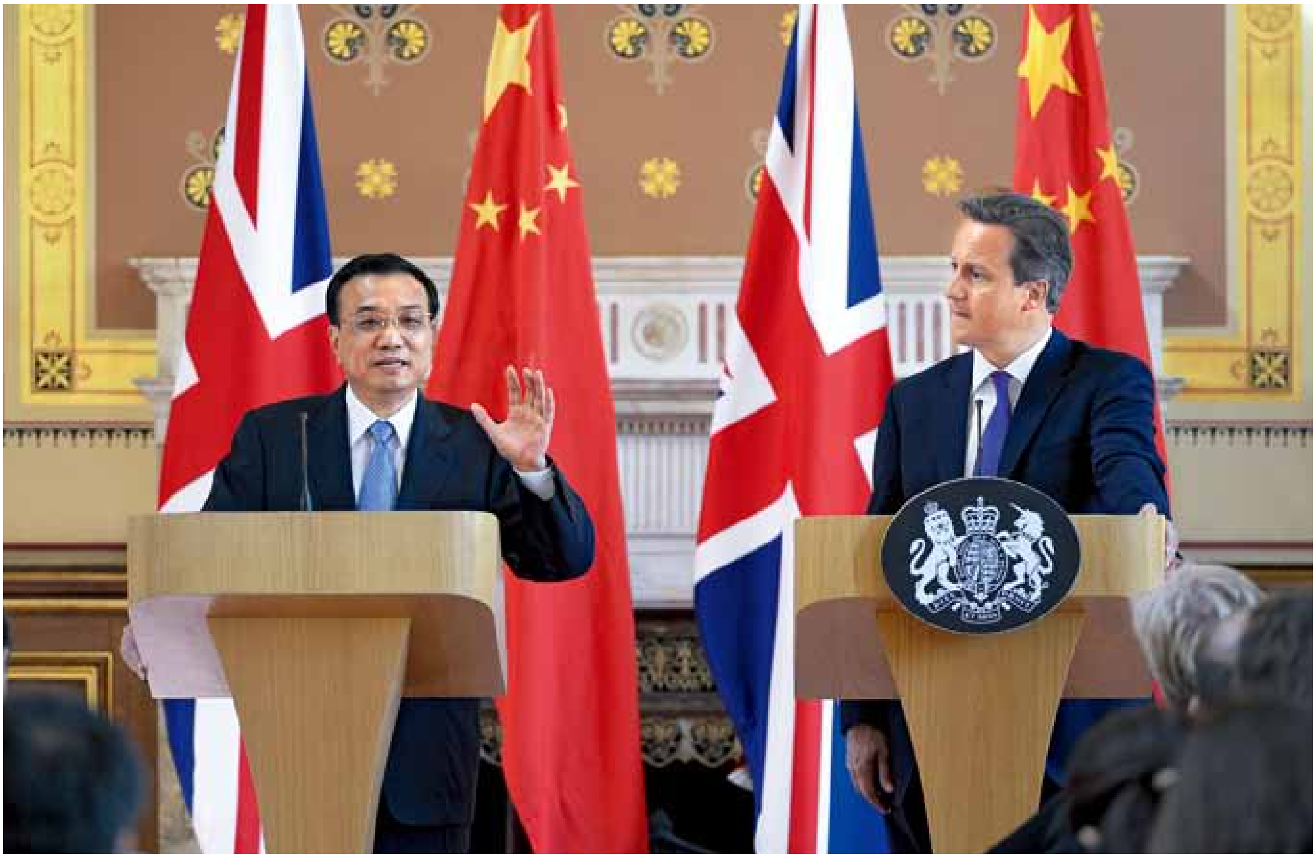


Figure 3: Top 10 business challenges





Chinese Premier Li Keqiang and British Prime Minister David Cameron at a press conference

China, UK Inked a Host of Agreements

By Zhu Zijun

Chinese Premier Li Keqiang wrapped up a fruitful visit to Britain during June 16 to 19 which witnessed the signing of a series of trade and investment deals worth £14 billion.

The details of the deals were announced during the UK-China summit. As this year marks the 10th anniversary of the establishment of the China-Britain comprehensive strategic relationship, both sides agreed to advance bilateral ties and cooperation.

As part of the deals, BP and the China National Offshore Oil Company (CNOOC) signed an agreement worth £12 billion on the supply of liquefied natural gas. The deal will see BP supply CNOOC with 1.5 million tonnes of gas per year over the next 20 years, starting in 2019.

China Minsheng Investment Corporation (CMI), with capital of \$8 billion, announced that it will open its European HQ in London with an investment of around £1.5 billion. Investments will cover a range of sectors including financial services, advanced technology, offshore engineering, new energy, and environmental protection.

MAP Environmental Ltd and Z N Shine Solar entered into a joint venture to purchase, develop, construct and manage £400 million of UK solar PV assets. The project will involve a 3 year construction programme in conjunction with some of the UK's largest engineering, procurement and construction contractors and the on-going maintenance will run for up to a further 20 years.

China Merchant Securities (CMS), opened its first London office which has been authorised by the Financial Conduct Authority today, creating at least 40 new UK jobs in its initial stage. CMS will increase the volume of commodity trading in London and play a significant part in the internationalisation of the Chinese currency Renminbi (RMB), reinforcing London's position as the second largest offshore RMB trading centre.

"These figures prove once again

Links

Further deals signed

A UK business consortium led by Dynasty Biotechnology has agreed to collaborate with Chinese businesses in the life sciences sector on research projects that will generate an estimated £528 million to the UK economy. The initial projects will focus on drug development programmes including treatments for cancer, asthma, strokes and eye conditions common in Asia. Funding will be provided by Chinese government and investor sources, reliant on Dynasty's relationships in China.

Nord Engine, a Chinese financial services group will open its first overseas operation in the UK and invest up to £150 million in UK and European small and medium sized enterprises. It will target small and medium sized enterprises in the tech industries, with strong commercial R&D capabilities and work to help them access the Chinese market. This will be the first Chinese institutional support for small and medium sized enterprises in the UK.

Shell has signed a Global Strategic Alliance Agreement with China National Offshore Oil Corporation (CNOOC) which reconfirms the existing strategic partnership between the 2 companies in China and around the world. The agreement commits the companies to exploring potential cooperation opportunities in upstream, midstream and downstream.

Lloyds Banking Group has signed a Memorandum of Understanding with the China Development Bank Corporation that will help secure inward investment from China into the UK, in particular into UK infrastructure and energy projects. The agreement will also establish further support for UK companies seeking to do business with China, helping them to fulfill their growth aspirations.

A collaboration between Shenzhen Xingcheng Holdings, BRE and Nottingham University is aiming to develop professional qualifications, accreditation, and executive education and training for professionals in China, and create a new training and research centre in Shenzhen. The collaboration will explore wider opportunities for research and consultancy in green architecture, design and urban sustainability for new buildings and developments in Shenzhen. This follows the MoU signed during the Business Secretary Vince Cable's trade trip to China last month.

China Merchant's Group (CMG) and the Victoria and Albert Museum (V&A) signed a collaboration agreement to support CMG's ambitious plan to develop the first major museum of design in China. The pioneering partnership aims to promote Chinese design to an international audience as well as present the best international design in China. The new museum is planned to open at the end of 2016 in the Shekou district of Shenzhen, the city designated by UNESCO as the city of design and creative industries.

High-level discussions on the development of the Chinese Free Trade Zones and EU/China Trade and Investment.

that Britain is the most open economy in the EU, the most welcoming to Chinese investment including in our nuclear industry and our infrastructure and I'm determined to keep it that way. The UK will continue to stand for opening up trade in the EU, for progress towards an EU-China trade deal, and for free trade within the G20 and the WTO," the British Prime Minister David Cameron said at the press conference for the UK-China summit.

"The deals we signed secure jobs and long term economic growth for the British and Chinese people. Ours is truly a partnership for growth, reform and innovation," he added.

"There has been more investment into the UK from China in the last 18 months than in the previous 30 years. Our country's brand is recognised around the world and the Chinese have an appetite for high quality British goods and services," said the British Business Secretary Vince Cable.

"Inward investment is running at record levels, creating thousands of jobs for British workers. The announcements show the huge potential to increase business with China," said the British Trade Minister Lord Livingston.

"The economic and trade relationship between China and Britain is growing ever closer thanks to the series of cooperation deals they have just signed," said Li Keqiang at an annual meeting with David Cameron. Li proposed that China and Britain expand two-way trade to reach a target of 100 billion U.S. dollars in 2015.

The annual UK-China summit takes place just 6 months after the Prime Minister's visit to China and with bilateral trade at record levels – up by 8% overall in 2013. UK exports to China have more than doubled since 2009, and are growing faster than French and German competitors. Last year UK exports to China averaged more than £1 billion each month.

The UK is the most popular European destination for Chinese investment, benefiting from over £8 billion in 2013/14 alone, creating or safeguarding over 6,000 jobs in the UK.

"The economic and trade relationship between China and Britain is growing ever closer thanks to the series of cooperation deals they have just signed."

American Businesses Expect to **Benefit** from China's Reform

By Audrey Guo

"In the first year of the new Chinese leadership, we have already been presented with an economic reform agenda that will define the coming decade. While we now have a blueprint for the proposed reforms, the American Chamber of Commerce in the People's Republic of China (AmCham China) looks forward to their implementation," Greg Gilligan, Chairman of The American Chamber of Commerce in China remarked when he attended the press conference of the release of 16th edition of the annual American Business in China White Paper in Beijing.

He mentioned though it would take time to fully implement the proposed reforms, some industries have already begun to experience positive changes, such as the food and beverage industry, following the initial stream-lining of certain ministries. Renewed negotiation by US and Chinese government officials on a bilateral investment treaty and discussion of movement toward the use of a negative list for foreign investment approvals represent important progress on White Paper recommendations from previous years. "In 2014, we will continue to advocate for our key policy priorities of investment, IPR, transparency, and standards," he added.

According to the survey, for American businesses operating in China, 2013 marked a year of many changes and increased expectations for reform. Stepping into his new governmental role as president of China in March 2013, Xi Jinping has laid out a detailed and potentially promising agenda, outlining not only much-needed economic reforms, but also political and social reforms.

The chapters within this 16th annual American Business in China White Paper assess the state of American business in China from the practical, on-the-ground perspective of members as they navigate this shifting environment. Though China's leadership has already begun to take action on some fronts — such as the anti-corruption and austerity campaigns and the streamlining of some government ministries and administrative processes — the proposed policies on their reform agenda that will have the greatest impact on the operating environment for foreign businesses in China have yet to be implemented.

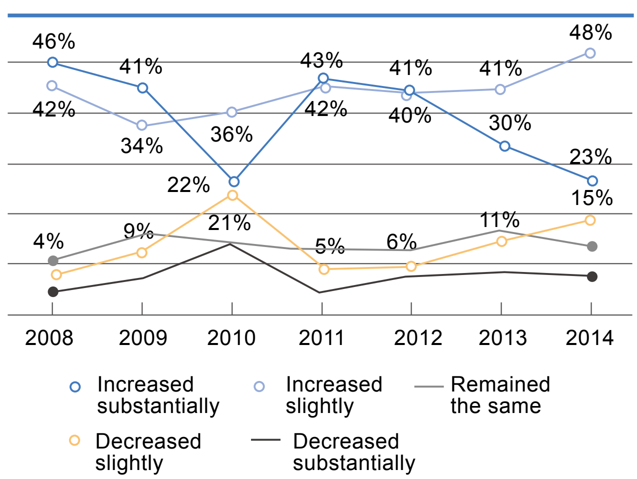
Expecting to see the positive effect from new round of reform

"Nevertheless, our members are cautiously optimistic that while the situation is likely to become more difficult in the foreseeable future, economic reform is so critical that the nation's leaders will ultimately find a way to overcome resistance and further open the economy to international trade and investment as well as the domestic private sector," Greg said. In fact, the roadmap to reform has largely been described in the 12th Five-Year Plan for 2011-2015. For example, the plan promises to establish fair, consistent, and transparent market access standards while calling for enhanced competition to sustain economic development. AmCham China strongly supports this vision and believe that by opening markets and leveling the playing field so that all actors, whether privately or state-owned, domestically or foreign-invested, can invest and compete fairly, China will enable the new businesses and innovations needed for the economy to grow sustainably, according to the white paper.

Also in the plan is a push for

Despite the challenges ahead, the member companies by and large remain committed to and optimistic about their China operations.

Q How do the last year's revenues from your China operations compare to the previous year?



opening the service sector. In the realm of services in particular, there is great room for liberalization and for unlocking the potential to drive a new wave of economic growth based on modern insurance, financial services, healthcare, information technology, logistics, retail, and e-commerce.

One vehicle for reform championed by Premier Li Keqiang that has been closely watched by U.S. companies of the chamber was the establishment of the China (Shanghai) Pilot Free Trade Zone (Shanghai FTZ) in September 2013. The white paper mentioned the U.S companies view the Shanghai FTZ as a positive development. Reports indicate that the Shanghai FTZ negative list may be cut by 40 percent in 2014, a move they welcome.

Ultimately, the Shanghai FTZ is to serve as a pilot project for economic reforms wherein its successes can be spread throughout the country. This intention is further bolstered by the wave of applications in late 2013 from cities across the country to develop their own pilot FTZs. "We are encouraged by statements from Chinese government officials that these new pilot zones are intended to offer a fair, stable, transparent, and predictable investment environment." he believed.

China is positive to cooperate with foreign partners

In addition to domestic reforms, the Chinese government signaled greater intent to cooperate with foreign partners through more liberalized trade in 2013.

In perhaps an acknowledgement of the positive role greater economic integration will have on its domestic companies, particularly as they increase investment overseas, the Chinese government in May 2013 reversed its critical tone towards the Trans-Pacific Partnership (TPP) and indicated interest in joining. If successful, the TPP will encompass approximately 800 million people and nearly 40 percent of the global economy, the white paper concluded.

In the same vein, China and the US announced in July 2013 that they had agreed to renew negotiations on a bilateral investment treaty (BIT). AmCham China member companies are encouraged by this announcement and the benefits that a BIT can bring. Yet the results of the 2014 China Business Climate Survey Report show that, as it remains unclear when BIT negotiations will be concluded, member perceptions on the benefits of such a treaty remain uncertain.

Also of great interest to AmCham China members is China's hosting of the 2014 Asia-Pacific Economic Cooperation (APEC) meetings.

In its host year, China has indicated interest in encouraging greater regional economic integration and promoting innovative development. As APEC strives to facilitate economic growth, cooperation, trade, and investment across the Asia Pacific, AmCham China members hope that China will take this opportunity to lead productive dialogues on open and competitive markets to produce innovation. AmCham China member companies look forward to helping support China and working together to ensure a successful APEC year.

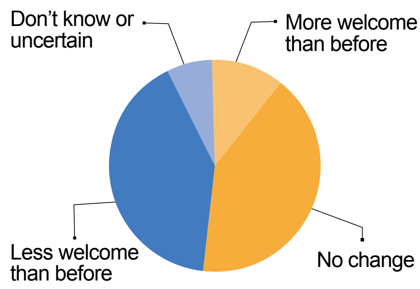
The white paper shows AmCham China supports China's greater participation and leadership in the World Trade Organization and other international economic organizations and continues to encourage China to abide by international standards and Agreements.

Cautious, increasingly pragmatic view of the Chinese market

While discussions of reform have infused optimism into the foreign business community, the realization that the period of double-digit economic growth has run its course has led many foreign businesses to take a more pragmatic, sober assessment of China's overall business environment. Indeed, the opportunities for breakneck growth are increasingly difficult to come by for both domestic as well as foreign companies, the white paper said.

The 2014 China Business Climate Survey Report shows that, while many companies are still profitable in China, increasingly fewer companies are reporting substantial revenue increases, and those reporting slight

Q Do you teel foreign business is more or less welcome in China than befort?



increases or slight decreases are more prevalent. Indeed, costs are rising and, despite solid optimism for the short-term business outlook, companies are increasingly cautious about future investments, as revenue and profitability growth slow.

"We maintain this confidence based on our experience operating in China and contributing to the economic miracle that has already taken place." Greg remarked. Over the past three decades foreign companies have evolved as China has evolved, injecting US$1.5 trillion (RMB 9.08 trillion) in investment into the country and providing an innovative and positive driving force in the economy. Multinational companies have been instrumental in introducing talent and technology, spurring generations of young Chinese to enter the global workforce. By the end of the last decade, foreign-invested companies employed almost one in five members of China's urban workforce, even more than the number employed by SOEs, and accounted for a quarter of the country's industrial output. They also produced more than half of China's exports. As the development of the service sector becomes increasingly important for the rebalancing of China's economy, AmCham China member companies have much to offer in sharing their experiences and training the next generation of the labor force.

Despite the challenges ahead, the member companies by and large remain committed to and optimistic about their China operations and the continued development of the Chinese economy, the white paper showed.

Innovative Precision Machinery Manufacturer: To Top the Industry Globally

— Interview with Eric Y. T. Chuo, Global Chairman & CEO of HIWIN Group

By Gao Chao

Although HIWIN has been established for only 24 years and went public just about four years ago, it has become the largest machinery manufacturer in Taiwan and one of the world leading companies in linear motion control and system technology. HIWIN's self-developed products, including ballscrews, linear guideways and industrial robots, have been widely applied to industries like bio-medical, semiconductor, optoelectronics, 3C, automation, precision machinery, energy saving and transportation. With strong market performance, HIWIN takes over the precision machinery market which had long been dominated by Japan and Germany.

"The key to success of HIWIN is continuous innovation. We take it as our mission and practice it every day." said Eric Y. T. Chuo, global Chairman & CEO of HIWIN Group, during the interview with *China's Foreign Trade*.

"The key to success of HIWIN is continuous innovation. We take it as our mission and practice it every day."

From a senior businessman to a successful entrepreneur

Well-known as he is, however, Mr. Chuo had no machinery-related educational background before the establishment of HIWIN. He majored in Accounting and Statistics in university, and later got an MBA of Innovation Management from University of San Francisco. In 1996, aiming to become an accountant, Mr. Chuo went to work in Taiwan Bank of Communications. During the 17-year period at the bank, he worked hard and published three books on financing and trading including "Practice of Foreign Exchange," "Trading Credit Evaluation of Countries around the World," and "An Overview of Foreign Exchange Trade of Countries around the World." Then, he was promoted from an ordinary bank clerk to Executive Secretary of General Manager.

In 1983, under the request of General Manager Chia Hsing-Bao, Mr. Chuo was assigned to deal with the financial crisis of San Shing Hardware Works, one of the fastest manufacturers of screw and nut forming machine. During his one-year presence at San Shing, Mr. Chuo was on the site to supervise in the daytime, and discussed the industry with management at night. Improved little by little, San Shing's production volume was significantly increased by shortening the one-day production changeover process into two hours. And four months later, San Shing achieved its turnover. With only a quarter of employees than that before, San Shing tripled its volume and cleared off all the debts. This case impressed Mr. Chuo and made him realize the key to success of a company lies in superior management.

Keeping this philosophy in mind, in April 1984, Mr. Chuo left the bank and set up a business consultation company providing firms with

▲ In 2013, Eric Y. T. Chuo served as the panelist at Common Wealth Forum with Dr. Hermann Simon, the Author of "Hidden Champions of the 21st Century"

management support. In 1988, he got an opportunity to acquire He Feng Precision Machinery, a ballscrew manufacturer, and then entered the precision machinery industry. On October 1, 1989, Mr. Chuo found HIWIN and began to produce the same products as He Feng did. His planning was to manage both HIWIN and He Feng well at the same time. As a result, HIWIN was positioned strictly under ISO 9000 standard and in 1991, it became Taiwan's first ISO 9000 certified machinery manufacturer. With his proactive management philosophy, Mr. Chuo was aware that to make HIWIN a world-class enterprise, global positioning strategy as other world leading companies was required. He had to mobilize available resources and look for possible cooperation with advanced counterparts around the world.

In 1993, occasionally, Mr. Chuo was told by his German client that Holzer, a German ballscrew manufacturer with 40-years history, was shut down. Hence he went to Germany twice and found Holzer had the technology that HIWIN was lack of. Afterwards, HIWIN and a local company in Germany co-purchased Holzer, and just one year later, Holzer started turning a profit.

By that time, with technical support from Holzer, HIWIN's manufacturing technology was advanced dramatically. With a series of technological innovation, the precision quality of HIWIN's ballscrew and linear guideway could compete with those of Japan's THK and NSK, but with half less of production cost compared to the Japanese competitors. After its continuous rising of profit, Mr. Chuo speeded up the schedule in R&D investment and transnational merging. In 1999, he set up its subsidiary in Japan. Afterwards, HIWIN took over Samsung's laboratory in Russia. Further, he established a R&D center in the US. In 2010, Mr. Chuo bought Matrix, a 100-year long British thread grinding machine manufacturer, to enable HIWIN to quickly expand production capacities. One year before purchasing Matrix, he acquired Mega-Fabs, one of the top manufacturers of driver and control system in Israel. With this strategic acquisition, he completed HIWIN's competiveness in motion control and robot field, which was thought a landmark for HIWIN's global positioning.

"The machine manufacturing industry relies on continuous innovation which cannot be realized overnight. This is a route that you need to put up with loneliness."

After 20-year insistence and effort, at present, HIWIN has ranked among the largest precision machinery key component manufacturers as well as the world's leading motion control & system technology providers with complete product line. The market capitalization of HIWIN exceeds US$2.3 billion, and its main products have been widely applied to related industries. Meanwhile, HIWIN established its factories or R&D institutes in the US, the UK, France, Germany, and Japan as well as distributors in 30 countries around the world. It is worth noting that HIWIN has been on the vendor list of TOYOTA. During the years of the development of HIWIN, Mr. Chuo successfully turned himself into an excellent entrepreneur.

Innovation, the driving force of enterprise development

"The machine manufacturing industry relies on continuous innovation which cannot be realized overnight. This is a route that you need to put up with loneliness," said Mr. Chuo. Even at the most difficult time of the company, he still held firm to innovation under his belief of "Running a business is not a short-term play, but a sustainable operation."

Mr. Chuo holds a belief that manufacturing is not the goal, but a service to fulfill human needs, which is the origin of innovations. "A company cannot maintain extended competitiveness without working on its foundation (R&D)," said Mr. Chuo. He stated that in order to stay ahead in technical know-how, HIWIN annually invests about 4-5% of its sales revenue in R&D. HIWIN Mikrosystem, one of HWIN's subsidiaries, created the highest record of 18% surprising investment in R&D. Meanwhile, HIWIN integrated the intelligence resources of its R&D centers in Germany, Russia, Japan, and the US as well as cooperated with academics. It hired more than 300 engineers, accounting for 14% of HIWIN's total employees. Currently, HIWIN possesses more than 1,000 patents, and just is ranked no.50 of "The World's Most Innovative Growth Companies 2014" by Forbes in June.

Regarding R&D, Mr. Chuo makes a good example himself. He attended all important exhibitions and conferences to hunt trends. Furthermore, he is also an inventor despite the fact that he used to be an accountant. For example, stainless steel length was limited to 1.6 meters because of the failure for heat resistance to catch up with the exceeding value. Processing precision, thus, could not meet the required standard. Mr. Chuo adopted a new way of thinking to improve the heat resistance equipment and proposed the length exceeding two meters. He solved both the problems of heat resistance equipment and stainless steel length limitation. Due to the consistent participation in R&D, he personally owned 39 patents covering ballscrew, linear guideway, elevator, and wind turbine; since 2001, the company has been the frequent winner of the Taiwan Excellence Gold & Silver Award for 14 years in a row. In 2012, the Taiwan authority bestowed Mr. Chuo "the Excellence Manager Outstanding Achievement Award." Besides, he and the company are both honored the prestigious Invention Award by Intellectual Property Office in Taiwan. "We need to be persistent to R&D and have our own perspectives. I would like to set an example for my team. Even when we were in the most difficult time, I had never changed my faith in the persistence to innovation because we would like to build a sustainable enterprise, and the number one in the world."

To ensure continuous innovation of HIWIN, Mr. Chuo set up an unprecedented system of on-the-job training for all the employees who are offered different kinds of trainings such as general literacy trainings, professional courses, and even international etiquette classes. Each year, HIWIN provides professional training programs for employees to enhance quality of workforce. And there is a monthly "Knowledge Growth Day" that allows all employees to share successful experiences in learning. Mr. Chuo guides study groups in person as well, and shares his reading reflection. In HIWIN, even the personnel in charge of cleaning work would take part in courses like interpersonal relationship. Briefly speaking, as long as you are a member of HIWIN family, you have the chance to grow up constantly. Meanwhile, all the employees are inspired to submit at least one improvement proposal per year. Following this program, employees are encouraged to pay attention to their working environment and bring passion to innovation as a part of life.

▲ Hiwin Doctoral Dissertation Award covering Taiwan, mainland China, Hong Kong and Macao has been launched since 2011

Facilitation of industry-university relationship and cross-strait cooperation

The precision industry needs R&D as well as professional technicians. Over the years, Mr. Chuo came to realize that "in order to attract talented personnel and introduce new technology know-how from universities to HIWIN, high value-added businesses need to promote industry-university cooperation." Considering those factors, HIWIN, under the leadership of Mr. Chuo, invested huge amount of time and manpower to integrate the knowledge of industry and academia. Since 2007, HIWIN has set up the "Designated Industry-Academia Cooperation Area" in "Taipei International Industrial Automation Exhibition" to show results of industry-university collaboration, inspired by Japan Semiconductor Exhibition and Tool Japan. HIWIN even published a journal to release information of Industry-University cooperation, making expertise of professors in each university be known and building the bridge for industry and academia. In recent years, HIWIN actively assists in promoting Taiwan's "Automation Engineering Certification Exam". Additionally, HIWIN sponsors NT$5 million in HIWIN Intelligence Robot Competition.

Having been working closely with companies from mainland China, HIWIN builds the platform for cross-strait cooperation actively. As said by Mr. Chuo, he co-worked with Professor Miao from Tsinghua University to invent ceramic cutting devices in the early 1990s. Afterwards, HIWIN held many conferences in various cities in mainland to introduce the most advanced trend of machines world widely. In recent years, HIWIN has been working with Tsinghua University, China Machine Tools Association, Dalian University of Technology, major machine related vocational high schools, academic institutes, and related industries to maintain close business links and exchange technological know-how. They even offered trainings for managers of CSR Corporation Limited to introduce them new concepts in machinery. Moreover, in order to promote positive cross-strait interaction and improve quality of workforce in China, HIWIN holds more than 50 technical training courses in factories in Shanghai, Tianjin, and Zhejiang, with an aim to enhance the manufacturing level of China and help to cultivate competent talents. Starting from 2011, HIWIN has entrusted Chinese Machinery Engineering Association (CMEA, Beijing) to launch HIWIN Doctoral Dissertation Award in Taiwan, mainland China, Hong Kong, and Macao. Mr. Chuo awarded the prizes lately for the 3rd Doctoral Dissertation Award in Hefei and said he hoped that he can do more for mutual exchanges.

Corporate Social Responsibility (CSR) in education

HIWIN's management team makes a concerted effort to the four pillars of strength: enhancing profits for shareholders, caring for employees, continuous improvement, and corporate social responsibility. "HIWIN, as a public company, needs to care for profitability, being responsible for its shareholders. Moreover, if a company wants to retain talents and encourage employees to work as a long-term career, providing good salaries and benefits to employees is essential," said Mr. Chuo, "In this regard, HIWIN bought insurances for both employees and their families. As for continuous improvement, long-term strategies shall be considered to keep company progressing. In terms of social responsibility, HIWIN has done more. For example, HIWIN donated RMB 3.12 million to rebuild the disaster area of Wenchuan Earthquake. What's more, HIWIN puts its focus on social education and talent cultivation. Each year, a certain percentage of HIWIN's profit goes to education charity institution."

Mr. Chuo also talked about the reason why HIWIN focuses on educational charities: "Education is the key to business competitiveness. Education is also the fundamental of social advancement." HIWIN contributed more to social education and charities since its establishment. For example, HIWIN sponsored the whole English program at Liou-Jia Elementary School in Hsinchu County and sponsored the buildings of libraries for Liou-Jia, Sanhe Elementary School in Chiayi and Chitung Elementary School in Yunlin. HIWIN will invest another NT$100 million to build community library at Liou-Jia Elementary School to commemorate his older brother, ChuoYung-Tung. In order to encourage young talents to devote to the machinery industry and foster professional mechanical engineers for this industry as well as to facilitate understanding and collaborations between the industry, universities, and the

"My dream is to improve the manufacturing level of China and make China a strong country of innovation."

research institutions, HIWIN allocates more than NT$10 million each year and works with CMEA to establish "HIWN Thesis Award" since 2004. In addition to the sponsorship of great amount of prizes and publicity, HIWIN has been devoted to supporting the winning professors and students in broadening their international horizons. Since the second HIWIN Thesis Award, HIWIN has given the financial support for winning professors and students to visit Toyota as well as OKUMA and MAZAK, the largest tool manufacturers in Japan. The winners were also invited to participate in the Biennial JIMTOF exhibition. Further, HIWIN provides "HIWIN Scholarship" to students of Dalian University of Technology majoring in machine engineering since November 2012. More than 60 outstanding students benefit from it each year.

When the interview was about to finish, Mr. Chuo said passionately to China's Foreign Trade: "China missed the golden opportunity to develop 100 years ago and thusly the poor had not been helped in time. My dream is to improve the manufacturing level of China and make China a strong country of innovation. China shall become modernized and powerful to win respect from international community by accumulating wisdom from generation to generation. HIWIN may have the limited power, but we will try our best to continue contributing. I believe that in the future, China will transform from a manufacturing country into one of the most innovative countries in the world."

▼ Eric Y. T. Chuo was awarded an Honorary Professorship by DaLian University of Technology

Lifestyle

Mercedes-Benz Aerodynamic CLA Made Its Debut in China International Fashion Week A/W 2014/2015

By Guo Yan

On the night of March 31, the fashion design square Beijing 751D.PARK gathered many fashion pioneers to witness the debut of Mercedes-Benz aerodynamic CLA—Closing Ceremony for the Mercedes-Benz China International Fashion Week 2014/2015 autumn and winter series.

At the night, the new CLA sports car—defined by first-class aerodynamics and cool design made its perfect debut in the Chinese market. "In the past three years, the China International Fashion Week helps us to expand Benz brand marketing channel, which enables customers to have more recognition towards our brand. The new CLA sports car will officially go to the market on the upcoming Beijing Auto Show, which will satisfy the domestic customers' demands for personalized products," said Duan Jianjun, Sales and Marketing Executive Vice President of Beijing Mercedes-Benz Sales Service Co., Ltd.

At the celebration party greatly supported by Mercedes-Benz, the 3rd-generation Mercedes-Benz pioneer designer SIMONGAO, who showcased a grand finale on the recently-held London Fashion Week, displayed his 2014/2015 autumn and winter series – "Contrast Aesthetics" to reflect the London effect. Interpreting the unique feature of the new CLA sports car, the widely-praised Chinese design in London Fashion Week once again presented a fashion feast to audience in the Mercedes-Benz China International Fashion Week and successfully concluded the 2014/015 autumn and winter series.

In this year's fashion week, over 60 brands and agencies, 47 designers and about 110 new-generation designers and models at home and abroad held nearly 60 professional activities in Beijing Hotel and 751D•PARK. The majority of the brands and designers at home and abroad made their debut on the fashion week, which signals that the new generation is injecting fresh vigor into the Chinese design.

The Excellent Graduates Start New Journey

By Audrey Guo

On the evening of April 28, JOEONE the 19th China Excellent Fashion Graduates Award Final, sponsored by China Fashion Association and JOEONE Co., Ltd, kicked off in D.PARK Beijing House.

From the start in September 2013 to the deadline on December 30, 2013, JOEONE the 19th China Excellent Fashion Graduates Award welcomed 704 graduates from 80 colleges and universities all over the country, finally selected by the experts and judges' evaluation, 46 excellent graduates were shortlisted and got the qualification to participate the final round and award ceremony in D.PARK Beijing House on April 28. The final top 10 contestants won the title of JOEONE the 19th China Excellent Fashion Graduates Award.

With the increasing influence of Excellent Graduates Award in recent years, more and more domestic fashion colleges focus on "Excellent Graduates Award" and actively participate in this event. The number of participant colleges in this fashion week has increased, and the contestants' level was high as a whole. A lot of works not only use bright colors, but also combine with the common used black, white and grey system, which is novel and sedate. The selected design works use the technique of handmade and secondary creation on the fabrics selection, which is highlight of the final evaluation part.

Another highlight of this Excellent Graduates Award is that it will be a milestone of strategic cooperation of China Fashion Association and JOEONE Co., Ltd. Cultivating design talents of the garment industry to promote the upgrade of communication platform of enterprises, universities and research institutes and the development f garment industry, has been the mission and goals of China Fashion Association.

The 9th "Jordan Cup" Chinese Sports Equipment Design Competition to Open

By Audrey Guo

The press conference for the 9th "Jordan Cup" Chinese Sports Equipment Design Competition jointly sponsored by China Fashion Association and Jordan Sports Co., Ltd. was held in Beijing Hotel recently.

Ni Zhennian, General Manager of Jordan Sports said at the press briefing that the contestants are supposed to hold the practical philosophy "tailor-made for Chinese consumers" and combine the international sports equipment fashion trend with the traditional Chinese culture. In this way, sports, technology, fashion and innovation will be well integrated for the localized brand with Chinese characteristics. Guests present at the press conference included Yang Jizhao, Vice Chairman of China National Textile and Apparel Council, Li Dangqi, President of China Fashion Association, Zhang Qinghui, Vice President and Secretary-General of China Fashion Association and Ni Zhennian, General Manager of Jordan Sports.

The "Jordan Cup" Chinese Sports Equipment Competition has been successfully held by 8 years thanks to the joint efforts spared by China Fashion Association and Jordan Sports Co., Ltd. Serving as a stage for Chinese sports equipment talents to showcase their brilliance, the "Jordan Cup" helps the Chinese sports equipment sector to select top designers and enhances the design level of the domestic sports equipment. Welcoming all the enthusiasts for sports equipment design, the "Jordan Cup" is themed with "Passion • Cheer" this year and encourages the contestants to show their passion and cheer for sports.

Yang Wenjie, a retired Changsha citizen became extra busy during the evenings. Before 6pm, he set out for the Xiangjiang Theatre (湘江剧场), at Pozi Road, one of the busiest areas in Changsha, where a local opera performance is on almost every night from 7:30-9:00pm. Yang is a big fan to this Hunan local opera; Huagu opera (湖南花鼓戏).

The ticket for the opera show is for free, but to enjoy it, you have to come early to queue for the ticket. "They start to give away the tickets from half past six, but in less than half hour, all the 400 seats will be taken," Yang said in the queue. At 6:38pm, he successfully got two tickets, one for himself, another for his wife. Both of them love the traditional and beautiful opera. Out of excitement following getting the tickets, Yang sang a few lines of opera himself: "I practiced in the mountain for five hundred years…" (The line from the role of a toad in the famous play of *Woodcutter Liu Hai*).

Huagu opera came into being in Qing Dynasty and was prevalent in the middle and east of Hunan, as well as the bank of Dongting Lake. The music is mostly from folk canzonet, a local and small opera with special art style. In 2008, Huagu opera was named as China national non-material cultural heritage.

It is encouraging to see the local opera still thriving in modern

Charming Hunan Huagu Opera

By Yang Wei

society. Xiangjiang Theatre offers a stage for the hundreds of years of historical opera and its fans. Hunan Changsha Huagu Opera Protection and Inheritance Center takes the larger part of the show in the theatre, allowing the ancient art form to survive and even thrive.

The Huagu opera is not only welcomed by local citizens. Liao Keyu, the director of the marketing department in the Center proudly said that they were warmly received overseas too. The Changsha Huagu opera performance team had their shows in North Korea and Japan before, and this January, they had a 15-day-long show in Singapore. "We performed over 20 plays in Singapore, and all well received. The audience even refused to leave after the show."

However, Liao's biggest concern is that most of the audience of the Huagu opera show is made up of seniors. "It is difficult to convince youngsters to watch the opera in the theatre," Liao said. "We are working on how to attract their interests and to pass on the beautiful art. We now have many young opera actors and actresses too. Such as Wen Jun, Tang Dan, Wang Wenjie and Ding Chenghuan, they are all talented and very young at the early age of their twenty-something. The ancient art can be refreshed with more youngsters involved."

The next day was a Friday; Grandpa Yang took his two grandsons (one is ten, another is three) to the theatre to enjoy the ancient singing and dancing. Two boys were excited to watch the show, even though it was hard to know how much they actually understood. "We will come next time," they said. Hopefully the charm of the Hunan local art will spread outside China, and also towards the next generations.

Links

Do you know Huagu Opera?

Hunan Huagu Opera (湖南花鼓戏) is the general name for minor local opera genres in Hunan Province in southern China, such as Changsha Huaguxi, Hengyang Huaguxi and Shaoyang Huaguxi, which adopted the names of the regions where they are prevalent. Each opera has its own distinctive style.

Derived from Hunan folk songs, it has developed from a two-role drama (a female and a clown) to a three-role drama (a young female, a young male and a clown). There are more than 400 traditional plays and 300 tunes in its repertoire.

According to their formal structure and musical style, these tunes can be divided into four types: Chuan Diao (川调), Daluoqiang (打锣腔), Dongqiang (洞腔) and Xiaodiao (小调), all having plain and straightforward local elements.

Small Suona (唢呐) and percussion Datong (大筒) are the main accompanying instruments. The tunes are brisk and lively, particularly suitable to dancing-singing operas. The performance featuring the parts of female lead, young men and clown has distinctive artistic characteristics. There are more than 210 traditional plays for Huagu opera, of which *A Woodcutter Liu Hai* (刘海砍樵 liú hǎi kǎn qiáo) and *Kite Flying* (放风筝 fàng fēng zhēng) won prizes at the national level.

Feel the Fresh and Green at Hulunbuir Grasslands

By Sun Huijie

School is over and the summer holiday is here, one of children's happiest time of the year. In China, there are nearly whole two months, July and August, as summer holiday for the students. Time to plan a hike farther away with the bouncy children. Beijing Hikers, an English speaking professional hiking organizer based in Beijing, recommends Hulunbuir Grasslands for your holiday plan list. The children will fall in love with the amazing vast grassland, and so will you.

Beijing Hikers have a four-day trip to enjoy the magnificent grasslands of northern Inner Mongolia, one of the most well-preserved grasslands in the world. Boasting gorgeous pastoral scenes of grazing livestock and an endless emerald sea of grass, the Hulunbuir Prairie will be a pleasant retreat from the hustle and bustle of city life in Beijing.

During the trip, you will enjoy the fresh air and the endless green grasslands of the best preserved prairie in China, with hiking and visits to border towns that contain a curious mix of Chinese and Russian culture.

Besides a few neat hikes in the prairie, you'll also visit some fascinating towns along the border between China and Russia, some of which are inhabited by Chinese people of Russian descent.

Profile of Hulunbuir Prairie

The Hulunbuir Prairie（呼伦贝尔大草原 hū lún bèi ěr dà cǎo yuán) is located at the western foot of the Greater Xing'anling Mountains, near China's border with Russia and Mongolia. Natural grassland occupies 80% of the whole area, making it the richest big prairie in China. The area is home to Hulun

Lake, one of China's largest freshwater lakes.

Hulunbuir is the main area for rearing livestock in Inner Mongolia. Except for the Greater Xing'anling and the Greater Green Mountains, most of the area is flat. The prairie stretches without end for mile after green mile, dotted by thousands of lakes.

The biodiversity of Hulunbuir makes it a natural treasure. More than 20 kinds of grass can be found in one square meter, making the prairie a vital habitat for dozens of species of mammals and hundreds of different kinds of birds.

Being so close to the border, there is a strong Russian influence in the area. Visitors will find that there is not very much traditional Chinese architecture in many of the surrounding counties, which are instead influenced more by Russian culture.

Highlights

Hulunbuir League 呼伦贝尔盟

The history of Hulunbuir League in northern Inner Mongolia can be traced back to when the Xiongnu united the grassland territories in North China. Today there are people of many different ethnic groups living here, including Han Chinese, Mongolians, Manchurians, Daurs and others. Hulunbuir boasts vast natural grasslands, natural woodlands, and more than

Links

Weather

The temperature in the prairie will usually vary greatly between the night time and daytime. In July, we expect daytime temperatures of around 25°C, and temperatures of around 14°C at night. Even though it is summer, please be prepared to dress warmly. There's a chance that it will rain, and the weather conditions can change quite quickly.

Links

Things to bring

- A few changes of clothes
- Regular hiking gear
- Hat with wide brim
- Sunglasses and suncream
- Warm clothes in case it is chilly in the evenings
- Waterproof jacket
- Quick-dry/wicking clothing to prevent chafing from sweat

3,000 rivers and 500 lakes. The Greater Xing'anling mountain range stretches through Hulunbuir from north to south. The chief natural attractions in Hulunbuir are the forests of the Greater Xing'anling Mountains and the famous grasslands. The area is cool and pleasant in summer and is snowy and icy in winter.

Hulunbuir Prairie 呼伦贝尔大草原

The Hulunbuir Prairie is the largest in China. People living in the grassland engage primarily in farming, livestock breeding, and aquaculture. With fresh air, unique culture and landscapes, the Hulunbuir Prairie enjoys a reputation for its idyllic country scenery.

The area gets its name from a legend that long ago, there lived a handsome young man called Hulun and a beautiful young lady called Buir. The two were deeply in love, but were forced to separate and later turned into two lakes, the Hulun and Buir lakes. The grassland is nurtured by hundreds of rivers that have made this area highly popular with nomads and herders. This paradise is China's largest base for pollution-free food resource for animals.

E'erguna 额尔古纳

E'erguna is surrounded by grasslands and the E'erguna River and sees a fair amount of domestic tourism in the summer. There is nice hiking and horseback riding around the river and wetlands, as well as gorgeous views from the hills outside the city.

Enhe Town 恩河

Not quite as close to the China-Russia border as Shiwei, but less commercialized, Enhe is a town where we can see the influence of Russian culture. Quite a few of the residents are of Russian descent, but speak Chinese as their first language.

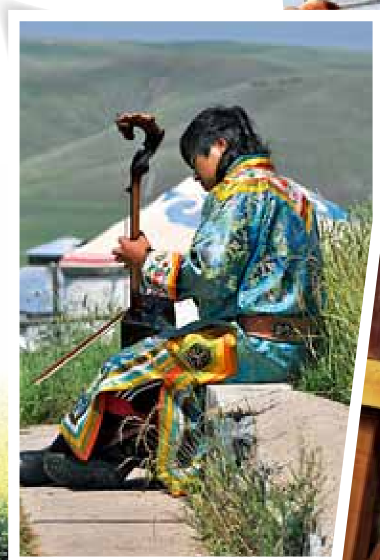
Manzhouli 满洲里

Manzhouli sits directly on the border between China and Russia, just north of China's fifth largest freshwater lake and 80 kilometers west of China's border with Mongolia. This border city between China and Russia is China's largest land port of entry.

In ancient times the area was inhabited by many different groups that lived in the region, including the Donghu, Xiongnu, Xianbei, Khitan, Jurchen, and Mongols. From the early Qing Dynasty onwards the Erguna River, which originates in this area, became the border between the China and Russia.

In 1992, Manzhouli became one of the first land border crossings opened up by the People's Republic of China. It has since experienced somewhat of a boom as a center of border trade between China and Russia.

Manzhouli's Matryoshka Square features a very diverse range of authentic Russian souvenirs and crafts. This landmark attraction combines the characteristics and features from the three bordering countries: China, Russian and Mongolia. The centerpiece of the expansive square is a nesting doll that is 30 meters tall. Nearby the Matryoshka Square is the Manzhouli Museum.



Should Foreigners Learn to **Write** Chinese?

By Lewis McCarthy

As a skill in today's digital world, the ability to handwrite Chinese is rapidly declining in usage and value.

Chinese is perhaps the world's most beautiful written language. Each word or character is a unique and detailed pictograph, many of which carry particular meaning and story. Whilst the spoken form of Chinese thrives in numerous different dialects across the nation and "Greater China" region, written Chinese is generally only seen in two formats; "Simplified" and "traditional" characters.

But learning to write Chinese, whether simplified or traditional form, is extremely time consuming and requires extensive practice. As a skill in today's digital world, the ability to handwrite Chinese is rapidly declining in usage and value.

By using pinyin (the romanised transliteration of Chinese), the ability to distinguish the pronunciation of a word and recognise characters when reading are more important. By leveraging these skills and combining them, it is much easier to identify a wider range of "known" characters and improve vocabulary of "typed" Chinese.

Of course, the motive of learning Mandarin is different for each person and so are the motives for learning to write. For instance one person may choose to learn because it is a challenge, or they consider it an art form. Another may feel that learning to write could help them gain greater insight into the thought processes of Chinese people or understand Chinese culture better. Each is a valid reason to learn how to write Chinese. But for those who simply want to improve their communication skills, the ability to write Chinese characters is much less essential.

Writing as a way of communicating is becoming increasingly redundant. Countless people in developed parts of the world carry phone or computer with them at all times. It is common in China, as it is in other countries, to see people emailing, texting and communicating in other ways through various digital mediums. Even many of China's non-digital, elderly generation now use "We Chat" and other applications to talk to their children and grandchildren.

When China's government first came to power it prioritised education and simplification of characters to help improve literacy rates across the country. It is widely accepted that the government has achieved great progress in doing so as presently the vast majority of citizens meet or exceed the standard literacy level of 1500 characters (although often 2000 in urban areas).

However, China now is faced with further daunting education task: teaching the non-Chinese speaking world Mandarin. Considering the man-hours that are necessary to study the written form of the language, perhaps it would be more efficient to spend the hours studying the other forms of Chinese (reading, listening, and oral).

How Well are You **Getting along** with Your Neighbours?

By Margaux Schreurs

One of the things that I instantly noticed moving to China was the close links in the Chinese neighbourhoods, and the openness of people's houses. Throughout the small hutong alleys and the open-style courtyard houses, it is amazing to wander through and catch a glimpse of other people's houses, and their lives.

People, especially those who are already retired, spend the majority of their day outside, just hanging around and chatting. When I leave for work in the morning they are already there, and when I get back at night they are still there. Especially since the weather has improved, they tend to sit outside with chairs and tables and play mahjong, or chess, or just chat and read a newspaper.

In fact, my building entrance always has a few chairs, tables and pillows piled up, even when the neighbours are not sitting there or anywhere near. And it is not only furniture, but also laundry that is hanging out on the street most days, with underwear proudly on display for everyone to see. Our laundry rack outside remains unused, as we are really not accustomed to this.

This is such a stark contrast to the city I was born in the Netherlands, and throughout the vast majority of Europe. In Europe, as soon as you get home, you close your front door, and then lock it. Nobody would ever sit in front of their house, nevermind spend the day playing boardgames outside with their neighbours, family or friends.

If anything, most people in Europe have a garden around the back of the house, hidden from plain view. And if the garden is not naturally hidden, we will build hedges to hide the garden. Private lives, families and houses in the west are definitely a lot more private than those in the east. In fact, you don't really show people around your house randomly because houses are private.

I feel like this demonstrates one of the main differences between Western and Chinese society; openness. In China, neighbours tend to be very close, especially in the older style buildings. Perhaps it is due to the close proximity of the houses, but it really seems like the relationships between the people are better. There seems to be less of a focus on perfecting the home inside, and staying inside, and more of an emphasis on spending time outside with other people.

These societal relations are also changing with the shift in times and changing urban and physical structures. As the single story courtyard houses are turned into tall skyscrapers in an effort to house all city-dwellers within the restricted confines of the city, social relations are changing. Communities that have been living in the same area for decades have been uprooted as a result of increasing gentrification.

The skyscrapers provide less public space than the older style buildings did, with space scarce in the bigger cities. People become more interested in making beautiful homes, on the inside, and spend less time outside. On top of this, recent pollution scares have also made it less attractive to spend extended amounts of time outside.

It is an amazing experience to live in a hutong though, as many of my neighbours will wish me a good day, or ask how my day was in the evening. Some of the neighbours have even come over to make dumpings with us, bringing all supplies, including the feared baijiu, and teaching us how to bao the jiaozi ourselves next time. When Christmas came, and we told them that it was difficult for us to spend Christmas away from our family and without holidays, they supplied us with enough food to celebrate the holidays here.

This is a completely different experience from Europe. Throughout all my time living in London during my studies, I never exchanged more than three words with my neighbours, and the only time I saw them is in passing in the hallway or outside. And even then, it would be an awkward encounter with everyone trying to get away as quick as possible. We would never even consider leaving laundry hanging out where our neighbours could see it, as that would be considered extremely embarrassing.

China Fairs & Expos

Energy, Mining, Metallurgy, Welding, Electric Power

2014 China International Gas Turbine Equipment and Technology Exhibition
Date: July 29, 2014
Venue: China International Exhibition Center
Exhibits: Transformer, reactor, voltage regulator, etc.
Contact: Colin
Tel: 86-10-85863348

2014 The 14th China (Beijing) International Exhibition of Transformer
Date: July 29, 2014
Venue: China International Exhibition Center
Exhibits: Transformer, reactor, voltage regulator, etc.
Contact: Colin
Tel: 86-10-85863348

2014 The 10th China (Shanghai) International Construction Energy Efficiency and New Building Material Exhibition
Date: August 15-August 17, 2014
Venue: Shanghai New International Exhibition Center
City: Shanghai
Exhibits: Building materials, etc.
Contact: Hua Wang
Tel: 86-21-64930917
Add: Room 1701, East Building, Huaihai Mansion, No.128 Puan Road, Shanghai, 201102
Email: infowanghua@163.com

Construction, City planning, Decorations

2014 The 10th China International Building Material and Decoration Material Exhibition
Date: July 19-July 21, 2014
Venue: Qingdao International Convention and Exhibition Center
City: Qingdao
Exhibits: Kitchen appliances, all kinds of doors, etc.
Tel: 86-21-62990137
Add: A17B, No. 1068 Xikang Road, Putuo District, Shanghai

Machinery, Machine tools

2014 The 8th China (Qingdao) International Stone Industry and Mechanical Equipment Exhibition
Date: July 18-July 21, 2014
Venue: Qingdao International Convention and Exhibition Center
City: Qingdao
Exhibits: Marble, Limestone and other all kinds of stones, etc.
Tel: 86-21-62990137
Add: A17B, No. 1068 Xikang Road, Putuo District, Shanghai

2014 The 4th China Xinjiang International Engineering Machinery, Construction Machinery and Vehicle Exhibition
Date: July 22, 2014
Venue: Xinjiang International Exhibition Co., Ltd
Exhibits: Safety protection, pumper, vehicle, elevator, general electricity, harbor, industrial vehicle, sanitation vehicle, etc.
Contact: Yuzhi Liu
Tel: 86-991-2351003
Add: 19th Floor, Building B, HSBC Mansion, No.56 Zhengxie Lane, Urumchi
Email: liuyuzhi615@126.com
Web: www.icechina.com.cn

Environmental Protection and Water Processing

2014 Shanghai International Building Water Conservation Exhibition
Date: August 15-August 17, 2014
Venue: Shanghai New International Exhibition Center
City: Shanghai
Exhibits: Chemical engineering, energy, environment protection, water conservation technology, etc.
Tel: 86-21-60522696
Add: No.8 Shengze Road, Shanghai
Email: zhuenjuan@foxmail.com

Information Technology, Network, Communication, Broadcast

2014 The 14th China International Exhibition on Chassis Cabinets and Related Products
Date: July 29, 2014
Venue: China International Exhibition Center
Exhibits: Computer chassis, computer case, sheet metal chassis, etc.
City: Beijing
Contact: Gao Jing
Tel: 86-10-85863348
Add: East 4th Ring Road, Room 1301, Tower C, Ocean International Center, Chaoyang District, Beijing

Sound, Musical instruments, Lighting

2014 The 10th Shanghai Green Building Illumination and Landscape Brighten Exhibition
Date: August 15-August 17, 2014
Venue: Shanghai New International Exhibition Center
City: Shanghai
Exhibits: All kinds of lamps
Contact: Enjuan Zhu
Tel: 86-21-60522696
Add: No.8 Shengze Road, Shanghai
Email: zhuenjuan@foxmail.com

Wedding Dress, Photography

2014 The 13th (Chengdu) Wedding Photographic Equipment Exhibition and Children Photography, Theme Photography and Album Exhibition
Date: August 10-August 12, 2014
City: Chengdu
Venue: Chengdu New Century International Convention and Exhibition Center
Exhibits: Cosmetics, photography relevant equipment and technology, etc.
Host: Jinnan Xinzhan Exhibition Service Co., Ltd.
Contact: Hui Li
Tel: 86-18963097160

Textile and Clothing

2014 The 108th China Commodities Fair and China Modern Home Appliances Expo
Date: July 28-July 30, 2014
Venue: Shanghai New International Exhibition Center
City: Shanghai
Exhibits: All home appliances.
Contact: Miss Dai
Tel: 86-755-3989246
Email: jiyuan_63@163.com

Packaging, Paper, Printing and publication

2014 The 25th Hong Kong Books Expo
Date: July 16-July 22, 2014
City: Hong Kong
Venue: Hong Kong Convention and Exhibition Center
Exhibits: All kinds of book.
Tel: 86-852-183668
Email: hktdc@hktdc.org

2014 China (Jinna) International Buddhist Products Exhibition
Date: July 18, 2014
Venue: Jinan International Convention and Exhibition Center
City: Jinan/Qingdao
Exhibits: Porcelain, lamp, buddhist sculpture, etc.
Contact: Zhiming Wang
Tel: 86-532-85019622
Add: Room 201, Huajia Mansion, No.52 Shandong Road, Qingdao, Shandong Province
Web: www.deerzbz.com

Education, Training, Culture and Art

2014 Yunnan Cultural Industry Fair
Date: August 9-August 14, 2014
Venue: Kunming International Convention and Exhibition Center
Host: Yunnan Cultural Industry Office, the Department of Yunnan Province, Yunnan Radio and Television Bureau, etc.
Exhibits: Radio, television, books, audio and video media, emerging cultural industrial, carving, folk instrumental, class jade stones, antique furniture, etc.
Tel: 86-871-65391966
Add: Kunming International Exhibition Center, No.289, Chuncheng Road, Kunming, Yunnan

China Market Suppliers

Company name: Gansu Tonghe Investment Project Consulting Co., Ltd.
Profile: We established in April 2005, are a consulting company devoting to the development of CDM projects.

Cooperating with our foreign partner, we have provided the consultation and developed CDM projects around China, including renewable energy projects (e.g. hydropower generation, wind farm generation, solar energy generation, biomass energy generation), energy efficiency projects (e.g waste heat recovery & utilization, CDQ waste heat utilization, coke oven gas generation), fugitive emissions from fuels(e.g. coal bed gas utilization), wastes handling and disposal project (e.g incineration power generation, landfill gas generation).
Company: Gansu Tonghe Investment Project Consulting Co., Ltd.
Add: Rm 2301, B1, Aolan Mingmen, No.115 Qingyang Road, Lanzhou, Gansu Province
Tel: 86-931-4663436
Fax: 86-931-8440721
Web: http://www.gstonghe.com
Email: yuebing.jin@gstonghe.com

Company Name: Weifang Hongbo Package Co., Ltd.
Profile: Weifang Hongbo Package Co., Ltd wins good reputation by satisfying her clients and by the premium quality of its products. Our company is continuously growing.

We specialize in producing food board and box including cake board, smoked salmon board, cake box. The cake board has artistic embossing. The use of the food board is unlimited. Both the cake board and smoked salmon board are offered in different sizes, thickness and colours. The board are made a specific way in order to withstand cold and moisture. Our company has passed ISO9001:ISO14001 certification.
Add: No. 516, Gongye 1ST Road, Junbukou Comprehensive Project Area, Weifang, Shandong, China
Tel: 86-536-8125677
Fax: 86-536-8125677
Mail: info@hongbopackaging.com/ sales@hongbopackaging.com

Company name: Shenzhen Suoyana Electronic Company Limited
Profile: Suoyana Electronic Company Limited is a professional and comprehensive enterprise with integration of research, develop and design manufacturing together.

Our main products are wireless and bluetooth headphone and microphone. we have our own agents on different cities in domestic market, in order to meet the different requirement of customers.

We have developed and supplied various headphone design with different specifications in domestic and abroad.

Established in 2005, we have a quick development. Successfully set up a branch factory in Jiangxi province in 2007, we have invested in Wan'an industrial park in Jiangxi province. It covers about 4,000 square meters. We brought in a set of new facilities to handle on mass production.
Contact Person: Ms. Carolyn Xiao
Address: Block44, 5 Flr. Xicheng Industrial Park, Xixiang street, Baoan District, Shenzhen City, China, Shenzhen City, Guangdong, China
Tel: 86-755-27790429
Fax: 86-755-27794702

Company name: YueqingJieli Electrical Co., Ltd.
Profile: JIELI Electrical are devoted in producing low-voltage circuit breaker and other related products. At present, our main product have MCB, MCCB, RCCB, Distribution box, AC contactor, Relay, Switch, Lamps and more than thousands electrical goods spare parts.

From 2012, JIELI Electrical began to transition. At the end of 2012, we set up the first oversea office, providing oversea market solution and service. In March 2013, JIELI Electrical began to cooperate with the world famous brand operators, starting Take the market as the center development patterns. In April 2013 113th Canton Fair, JIELI Electrical use another brand ICEDC (International Construction Electrical Development Centre) launched two project--support full set MCB spare parts solution and building MCB factory. In May 2013, We have began to preparing for our low-voltage circuit breaker experience center and the world first MCB museum.
Add: Chandong Village, Liushi Town, Yueqing City, Wenzhou, Zhejiang, China
Contact: Mr. Xianhua He

Company name: Hong Chang Sheng Furniture Hardware Accessory Factory
Profile: Hong Chang Sheng Furniture Hardware Accessory Factory was built in 2011, a professional manufacturer making ball bearing drawer slide in Nanhai, Foshan, Guangdong, China. Product series includ high duty slide, heavy duty slide; 27mm, 35mm, 37mm, 45mm, 53mm;
Also making: soft closing, push to open, keyboard slide, bayonet slide, hook slide... Looking for business partners and distributors all over the world.
Contact: Ken Chiang
Cellphone: 86-15875756627
Tel: 86-757-85918261
Fax: 86-757-85991307
Address: Guandong Industrial Park, GuangyaoShishan Town,Nanhai District Foshan Guangdong, 528237 China
Website: http://www.changsheng.net

Company name: ZhechengHongxin Machinery Factory
Profile: Zhecheng Hongxin Machinery Factory is specialized in machines used to make charcoal, including barbecue charcoal and charcoal made from sawdust. Our company was established in 2008, with 120 staff members, including 12 technicians for research and development. Our company is located in the capital of Henan Province — Zhecheng. Our products are: 1) Wood Working Machineries; 2) Briquette Press Machines; 3) Farm Machinery Hay Baling Machines; 4) Nut Processing Machineries; 5) Vegetable Processing Machines; 6) Fruit Processing Machines; 7) Animal Feed Machines.
Address: Room 1101, Shangdu Road and tongtai Road, Zhengzhou, Henan, China
Post Code: 450000
Contact Person: Emily Ren
Tel: 86-371-87513089, 65863108, 87513195, 65863109
Fax: 86-371-65863109

Company name: YangxiKaisun Bag & Cap Factory
Profile: YangxiKaisun Bag& Cap factory is a large manufactory located in the west Guangdong, covering and area of 15000 square meters with 500 workers. In the last twenty years, we comment ourselves to meet to demands of the diversal marketing through improving our technology, quality and design. Now we have more than 20 series products including baseball caps, casual hats, baby hats, shopping bag, gloves, apron and other textile items.

Every year, we have more than hundreds-millions baseball caps selling in 32 countries around the world. They are favored by numerous clients at home and abroad because of their superior quality and competitive prices. We have been the supplier of Coca Cola and Wal-mart for 3 years.

In the year of 2007, in order to make our global business operated more flexible, we decide to establish our specialized foreign trade company, Yangjiang Dengly Industry Co.,Ltd., which with self-support right of import and export, mainly exporting products from Kaisun Factory and other high quality products with competitive price in China. Our total annual sales volume reached two million US dollars.
Contact: Mr. Kaisun Yu
Tel: 86-662-3355702
Fax: 86-662-3355802
Address: No.79 Zhengkeng East Road, Yangjiang, Guangdong, 529500

Company name: Qingdao Dongsheng Paper Co., Ltd.
Profile: Our Factory was established in 1968, with 30 years of experience, advanced equipment and professional technicians.

We have over 2000 workers 13 set paper machine and 7 production lines on Copy paper, Color copy paper, Offset paper, Tissue paper and Art paper. Sold well in all provinces around China, our products are also exported to many countries and regions all over the world. Our products are widely used in photocopying, laser printing, ink-jet printing, offset printing and so on.

To learn more about what we can do for you, please contact us at any time. We look forward to establishing a good and long-term business relationship with you.
Contact Name: Mr. Cui
Tel: 86-532-85761101
Address: Economic industrial park, Taian City, Shandong Province

Company name: Anping County Xulongda Mesh Co., Ltd.
Profile: Anping County Xulongda Mesh Co., Ltd. was founded in 1996 and is located in the "Hometown of Wire Mesh" in China, enjoying convenient transportation. Our company covers an area of more than 30 acres, including more than 25,000 square meters of building area. Our assets are more than 20 million RMB and there are over 200 employees. We have advanced production equipment and processing technologies. Our annual production capability of galvanized wires and eannealing wires is more than 50,000 tons. To be a first-class low-carbon wire and wire mesh series company is our goal. Now, low carbon steel wires are our main products, such as galvanized wires, burning wires, black wires, cut wires, U-wires, barbed wires, PVC plastic wires and other wire products.

Our company has a hard-working spirit, forming a considerable scale already. For more than a decade, we have followed a policy of "professionalism, innovation, perseverance, hard" and have won praise from many clients. We also have a professional team of marketing. We always insist on the business concept of "quality of survival, market-oriented and the management effectiveness". We have won a good reputation and confidence by means of scientific management, advanced technology, strict flow of arts and crafts and earnest service attitude. Our marketing networks are in Southeast Asia, the Middle East, the USA, Japan and Korea and more than 30 provinces in China.
Contact Name: Mr. Li
Tel: 86-318-7658588
Fax: 86-318-7658198
Add: Anping County Xulongda Mesh Co.,Ltd. Hengshui, Hebei China, 053600

Member List of Council of China's Foreign Trade

Honorary Chairmen:

Wan Jifei Chairman of China's Council for the Promotion of International Trade

He Guangwei Former Director General of China National Tourism Administration

Li Kenong Vice Minister of General Administration of China Customs

Consultants:

Shi Guangsheng Vice Director of Financial and Economic Committee of NPC's Standing Committee
Former Minister of the Administration of Foreign Economic and Trade Cooperation

Gan Ziyu Vice Director of Financial and Economic Committee of NPC's Standing Committee
Former Vice Director of National Development and Reform Commission

Yu Xiaosong Consultant of China's Council for the Promotion of International Trade
Former Chairman of China's Council for the Promotion of International Trade

Chairman of the Council:

Zhang Wei Vice Chairman of China's Council for the Promotion of International Trade

Standing Vice Chairmen:

Benjamin Fok Board Member of Fok Ying Tung Group Co., Ltd .

Huang Xuesheng President of Eurasia Group

Guo Kongcheng Chairman of Kerry Group Co., Ltd.

Lin Zhuoyan Chairman of the Board of Director and Chief Executive Officer of Outlet (China) Ltd.

William Chiu Chairman of Beijing Badaling Cableway Ltd.

Huang Zhida CEO of Far East Organization

Mimy Mock de Fung Chairman of General Committee of Sino-Venezuela Trade, Industry, Agriculture, and Tourism
Chairman of Orinoco Energy Resources Corporation

Yan Qiming General Manager of Sumitomo Chemical Investment (China) Co., Ltd.

Nakashima takashi General Manager of OJI Paper China Business Div

Wong Kam Hong Chairman of Traffic light Co., Ltd.

Chu Jiwang Chairman of Ningbo Ruyi Joint Stock Co.,Ltd.

Vice Chairmen: (Names in Alphabetical Order)

Alexandru Ioan Executive Chairman of China Town Group, Romania

Angela A. Chao Vice President of Foremost Group

Annie Wu Suk-ching Chairman of Hong Kong Sub-Association, World Trade. Center Association / Vice Chairman of Beijing Air Catering Ltd.

Banthoon Lamsam Chief Executive Officer of The KASIKORNBANK Public Company Limited

Chau Pui Yin Director of Accordion Troupe Hong Kong

Chen Jinlong Senior Director of Far East Holding Group Co., Ltd.

Chen Renai Chairman of Jinghua Trade Company, Italy

Chen Xiaoping General Manager of Zhejiang Hongyang Group

Chen Zhiling Operating Chairman of Wynn Macau

Dato' Lim Hock San Managing Director of LBS BINA Group Berhad, Malaysia

Duan Jing General Manager of Beijing Glory Glamor International Commerce & Exhibition Co., Ltd.

Gallant Y.T. Hong Kong Philanthropist

Gao Kecheng Chairman of Jibao Enterprise Development (Singapore) Co., Ltd.

Gong Xiaohua Chairman of Edward Enterprise International Group INC

He Chaoqiong Managing Director of Shun Tak Holdings Limited

He Jinsheng President of e-Phone Group (USA)

Hu Anhua Chairman of Neonlite Electronic & Lighting (HK) Ltd.

Huang Guoyu Founder and Chairman of 4th World Chinese Entrepreneurs Convention and of Canada Founding & Development Society

Hu Yunming Executive Director of King Wong Development Co., Ltd.

Huang Yizong President of United Overseas Bank (China) Ltd.

Ip Sio Man Managing Director of Vang Kei Hong Trading Co. Ltd.

Jacky Chen Chairman of Thailand Council for the Promotion of Economy and Trade of Small and Medium-Sized Enterprises

Jia Baojun General Manager of Sinosteel Corporation

Jorge Mora Asia-Pacific President of Veolia water

John Gong Chairman of ICP DAS USA, Inc.

Judy Yu President of the Carsac Story Ltd.

Kampol Srethbhakdi President of The Thai Malleable Iron and Steel Co.,Ltd.

Kong Lingfa President and General Manager of Tianxiang Group (Anhui) Co., Ltd.

Lei Yayun Chairman of East West Croup

Li Hexun President of Tetra Pak China Ltd.

Li Jinyou Managing Director of County Height Holdings, Malaysia

Li Songzhi Chairman of Myanmar International Business Promotion Centre.

Li Jinyuan Chairman & President of Tianjin TIENS Group Co., Ltd.

Li Jiaxiang Dirctor of Jebsen & Co., Ltd.

Li Lei Senior Vice President of Saudi Basic Industries Corporation

Lin Dexiang Chairman of GITI Tire (China) Investment Co., Ltd.

Lin Hailin President of China National Automotive Industry International Corp.

Lim Chee Oun Executive Chairman of Keppei Corporation Ltd., Singapore

Ma Renlin General Manager of Shanghai Meiheng Investment Co., Ltd.

Ouyang Riping Chairman of the board of DaTong Group (West Africa)

Qiu Dachang Vice Chariman & Executive President of Far East Development Co., Ltd.
Ren Zhijie President of Beijing Century Boai International Medicine Technology Development Ltd.
Shen Yaozhang Chairman of Shanghai Baoyao Minmetals Import & Export Trade Co., Ltd.
Sun Ziyu Managing Director of China Harbor Engineering Company Ltd.
Teo Cheng Keng Chairman of Bride of the World Pte Ltd.
Tian Li Chairman of Bestridgergroup Co., Ltd.
Tian Wentao Chairman of Xukuan Group Co., Ltd.
Wang Yanping Chairman of Fujian Guohang Ocean Group Holdings Ltd.
Wang Shousong Chairman of Wang's Corporate Group, Holland
Wang Qinghai General Manager of Shougang Group Council of China's Foreign Wang Shufang
Chairman of Chinese Committee of Golden Coast, Australia
Wang Yingwei Executive Vice Chairman and Executive President of Hsin
William Kuan Executive Director of Victory Real Estate Development Co., Ltd.
Wu Yingmei Chong Construction Group Co., Ltd.
Xiao Dexiong Chairman of Tw Fok Holding Co., Ltd.
Xie Bingzhen Chairman of Strategic Decision Committee of China Machi Group
Xie Mingcheng Chairman of China Win-Win Group Limited
Xu Li Chairman of the board of Nankai Transport International (HK) Co. Ltd.
Xu Zhiming Chairman of Yuemei Group
Xue Baojin President of Beijing Smart Garments Co., Ltd.
Yang Jinhua Chairman of King Far B.V., Holand
Yang Luming Managing Director of Australian Chen Enxi Group Co., Ltd.
You Kaicheng Chairman & General Manager of Binhtien Imex Co., PTE. Ltd.
Zhao Hui Manager of Wuhu Cigarette Factory, Anhui Province
Zhang Xiqing Chairman of Union of Overseas Chinese Greece
Zhang Jianwei President of Sino-trans Limited
Zhang Xiquan President of US Mart Chain Supermarket Co., Ltd.
Zhang Jingjing Director of Beijing Jindian International Forwarding Co., Ltd.
Zhang Qian Executive President of MM Marketing Communications Consulting Co., Ltd.
Zhang Weizhi Chairman of Macau-Portugal Chamber of Commerce
Zhang Guixing Operating Chairman of Maybank in Greater China and Northeast Asia
Zhang Jianwei President of Bombardier China
Zhang Xiquan President of US Mart Chain Supermarket Co., Ltd.
Zhang Jingjing Director of Beijing Jindian International Forwarding Co., Ltd.
Zheng Weiguang Chairman of Ji Tong Thai Long-Bis Science Croup Co., Ltd.
Zhou Jinhui Chairman of Legendale Constructive Co., Ltd, Macau
Zhu Shanyi Chariman of Jiangsu Mingda Mining Investment Co. Ltd.
Zhuang Yaozhi Honorary Chairman of Global Petrolum Industry Development Co. Ltd.
Zheng Wanchun President of China Great Wall Asset Management Corporation
Zou Weimin Chairman and General Manager of Metallurgical Corporation of China Overseas Ltd.
Zou Yong Chairman of New East Imp&Exp Co., Ltd, Greece

Executive Directors:

Chen Mingzong Chairman of Intan Group Indonesia
Hong Guiren Wijayakusuma Group Coal Mining and Power Station Indonasia-China Cooperative Investment
Misha Lu Marketing Director of TÜV SÜD in Mainland China, Hongkong and Taiwan
Thura Lwin Chairman of Tah More Hnye Chan Tnar Comneroe Co., Ltd.
Yang Zongde (Lin) Managing Director of GLENCAIRN International Group
Yu Mingquan Chairman of Juhai Group, Russia
Zhao Shukai Chairman of the Health Maintenance Medical Practice Co., Ltd.

Directors:

Cai Zhipeng Chairman of Shantou Diming Trade Co., Ltd.
Dato' Yan Mengjie Executive Chairman of VIBRANTWAVES S.D.H.BHD, Malaysia
Huang Jianlong Vice President of SANY Group Co., Ltd.
Huang Yi Chairman of Dunfeng Holdings Inc.
Huang Liming General Manager and Executive Director of Cannon Far East Co., Ltd.
Luo Meiling Executive President of Life Enlightenment Charity Foundation Co., Limited
Lei Zhenyu General Manager of State Production Base of China Film Group Co., Ltd.
Jiang Min Executive Director of the Aoyana Project Management and Consulting (Shanghai) Co., Ltd.
Ouyang Chenxi Managing Director of the Wuhan Yangsen Biotechnology Co., Ltd.
Qian Juncan Chairman of the Pinghu Shenping Material Trading Co., Ltd.
Xin Weihua Chairman of Shandong Wanbao Group Co., Ltd.
Xu Ping Genral Manager of Henan Imported Materials Public Bonded Center Co., Ltd.
Yang Chuanli Chairman of Jingu Jewellery Ltd.
Yang Nan Chairman of Luistone Group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