# POLICIES

## China expands export tax rebate to more ports

China will expand its export tax rebate pilot program to eight more ports at the beginning of September to boost exports amid an economic slowdown.

The new tax rebate policy will be applied to exported container goods with customs clearance at water ports in the cities of Nanjing, Suzhou, Lianyungang, Wuhu, Jiujiang, Qingdao, Wuhan and Yueyang, according to a joint document by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation.

The exporting containers must be transferred and depart via the Yangshan Free Trade Port in Shanghai, according to the document.

Taxes will be refunded at those ports of loading to qualified exporting enterprises whose tax payment credit is rated B or better by both tax and customs authorities, the document said.

## China to boost barter trade

China is seeking to establish a legalized system of barter trading to help companies reduce inventories and boost profits, an official with the China National Excess Inventory Association has said.

China has launched its first regulations for barter trading in a bid to promote its sound development, said Mao Deshu, vice president of the association.

Bartering is business by which goods or services are directly exchanged for other goods or services without using money.

"China's barter trade is at a burgeoning stage. It is important to establish sound market order," said Mao, who participated in drafting the rule.

Companies will gradually find that bartering is a good way to move surplus inventories, attract new customers and increase sales, the official added.

## China to continue targeted monetary policy

China's central bank said that it will continue to implement a targeted approach in monetary policy in the second half of 2014 and shore up weak links in the economy.

More financial support will be provided to rural areas and small businesses to reduce their financing costs, according to a statement on the website of the People's Bank of China.

It said it will accelerate work to establish a deposit insurance scheme in the coming months.

The statement came after a meeting between the central bank governor and heads of the bank's branches across the country to review monetary policy in the first half and map out policies for the second.

The central bank also said it will

# FIGURES

### 6.5%

The International Monetary Fund said that China should set an economic growth target of 6.5 percent to 7 percent for 2015.

### 6.9%

China's foreign trade volume went up 6.9 percent year on year to $378.5 billion in July, new customs data showed.

### 17%

China's fixed asset investment grew 17 percent year on year to 25.9 trillion yuan ($4.2 trillion) in July, the National Bureau of Statistics (NBS) announced.

strengthen monitoring of financial risks in key sectors and industries, and handle the risks in a timely manner to prevent regional and systemic risks.

## China govt vehicle reform boosts car auctions

China's government vehicle reform has boosted car auctions in the country, with the auction value reaching 3.57 billion yuan ($580 million) in the first half of this year, up 44.3 percent year on year, latest data showed.

Ministry of Commerce spokesman Shen Danyang said that government-entrusted car auctions rose most noticeably, totalling 1.13 billion yuan during the first half, up 79.4 percent year on year.

Shen said that the increase has primarily come from government vehicle reforms in different regions.

# QUOTES

"China's recent wave of antitrust probes does not specifically target foreign multinational enterprises operating. The recent antimonopoly investigations on some foreign companies are to promote fair competition and protect consumers' right."

—— Shen Danyang, spokesman for Ministry of Commerce

"China's July inflation was within market expectation, indicating little inflationary pressure for China in the second half year. The downturn in the housing market put additional downward pressure through residence-related inflation, although so far this has been offset by higher fuel cost, and core inflation, including food and energy, remained subdued."

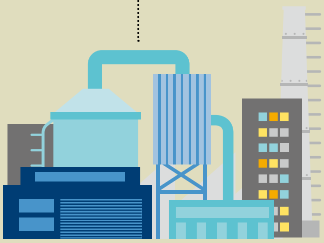
—— Qu Hongbin, HSBC chief China economist

"The rise of the Chinese currency to challenge the dollar's dominance has global geopolitical implications. As an increasing number of countries boost their trade and investment ties with China using the yuan, they will take an increasing interest in the growth of the Chinese economy."

—— Alan Wheatley, editor of the book *The Power of Currencies and Currencies of Power*

### 9%

China's value-added industrial output expanded 9 percent year on year in July, 0.2 percentage point slower than that of June, official data showed.



### 0.9%

China's producer price index (PPI), which measures inflation at wholesale level, dropped 0.9 percent year on year in July, the NBS said.

### 2.3%

China's consumer price index (CPI), a main gauge of inflation, grew 2.3 percent year on year in July, the same pace as a month earlier, official data showed.

# POLICIES

## China lowers borrowing costs for enterprises

China announced measures to lower borrowing costs for enterprises and ensure that new loans flow into the real economy.


The problem of high borrowing costs, especially for smaller businesses, was addressed by the General Office of the State Council in a 10-measure guideline.

The measures include:

— maintaining a reasonable credit growth and a stable monetary policy -- Curbing the irrational rise of funding costs among financial institutions

— eliminating redundant financing procedures for enterprises

— cancel unreasonable charges for financial services

— improving loan approval procedure

— improving the evaluation of commercial bank performance

— speeding up the development of small- and medium-sized financial institutions

— boosting the development of direct financing a multi-level capital market

— promoting the roles of insurance products

— interest rate reform

Commercial banks must improve credit management to ensure that loans end up in the real economy and financial regulators have to pay more attention to shadow banks and inter-bank business.

## China unveils support for insurance industry

The Chinese government unveiled measures to develop the insurance industry, vowing to raise premium incomes to 5 percent of GDP by 2020.

The package, announced on the State Council website, let the insurance industry play a bigger role in the fledgling social security network.

The second of its kind since 2006, the package could see citizens paying an average of 3,500 yuan ($565) per capitain premiums by 2020.

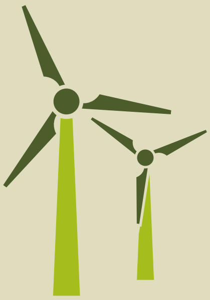
Commercial insurance will become the primary undertaker of individual and household programs and an important supplier of corporate pensions and health insurance.

The insurance will be given a bigger role


# FIGURES

## 450,000

China's chicken exports are expected to rise to 450,000 tonnes this year, according to the China Animal Agriculture Association.



## 6.5%

China's power consumption, an important indicator of economic activity, is expected to rise 6.5 percent in the second quarter, bringing the annual rate for 2014 to around 6 percent, according to a report released by China Electricity Council.

## 54.2%

The Purchasing Managers Index (PMI) of the non-manufacturing sector came in at 54.2 percent in July, down 0.8 percentage points from June, according to a report jointly released by the NBS and the China Federation of Logistics and Purchasing (CFLP).

in the prevention and relief of disasters and accidents through the introduction of catastrophe insurance products.

Insurance funds will be encouraged to invest in bonds and equities to support major infrastructure projects, urban renewal and urbanization.

The government will encourage the house-for-pension insurance experiment and launch a pilot program to introduce compulsory insurance for environmental pollution, food safety, medical accidents and campus safety.

## Chinese govt to cut more administrative approvals

China is making efforts to ease market maneuverability by reducing the amount of administrative approvals required for businesses.

The State Council announced that it had plans to cancel or decentralize more than 200 administrative approvals this year to unleash market dynamics.

The move is expected to endow businesses with easier resource allocation and encourage them to focus more efforts on supervision and macro-management than government approvals, said Yang Jing, Chinese State Councilor, also secretary-general of the State Council.

The government is determined to tackle the toughest barriers during reforms in order to release more power to the market and society, Yang said.



“Unlike the United States, China will not use quantitative easing to stimulate the economy but will target financial support to weak links of economic development. Whether the central bank will further ease liquidity in the second half of 2014 depends on the macroeconomic situation and whether the yuan funds outstanding for foreign exchange will continue to drop.”

—— Ma Jun, chief economist of the People's Bank of China

“China's loss in the appeal concerning restrictions on exports of rare earths will prompt the nation's rare earth producers to increase output of high added-value products in a fairer and more orderly market.”

—— Chen Zhanheng, deputy secretary-general of the China Rare Earths Industry Association

“As capital outflows accelerated, foreign credit dried up, resulting in a domestic credit crunch. Foreign debt is equivalent to only 10 percent of China's GDP and is relatively small. Therefore, this is less of a risk for China.”

—— Francis Cheung, head of China and Hong Kong strategy at investment bank CLSA

### 51.7%

The purchasing managers' index rose to 51.7 in July, up from 51 in June, according to data released by the NBS and the CFLP.

### 219.8 b

A total of 219.8 billion yuan ($35.72 billion) from central finances was earmarked for affordable housing projects in the first half of 2014, latest official data showed.

### 11,243

China received 11,243 international patent applications through the Patent Cooperation Treaty (PCT) in the first half of the year, the State Intellectual Property Office said.

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# Analysis of Chinese Auto Market

By Alice Yang

China has been the largest automobile market as well as the automobile manufacturer in the world since 2009. New record is still being created here.

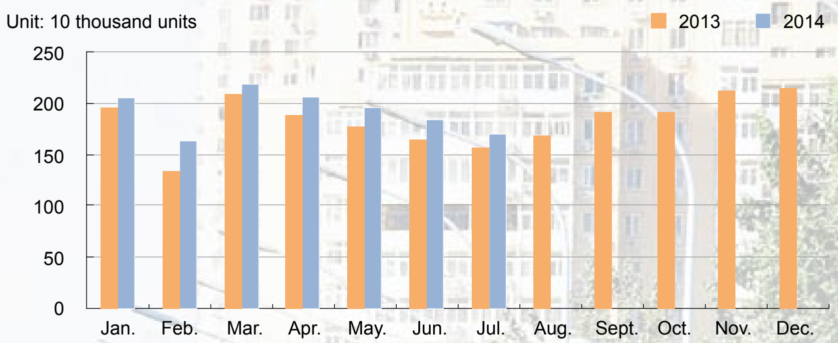
According to China Association of Automobile Manufacturers (CAAM), for the first seven months, the production and sales of automobiles were 13,504,500 and 13,301,700 units respectively, up 9.5% and 8.2% year on year.

From January to July this year, the production and sales of passenger cars reached 11,181,200 and 10,991,800 units respectively, up 12.2% and 11% year on year.

For the first seven months, the production and sales of commercial vehicles reached 2,323,300 and 2,309,900 units respectively, down 2.1% and 3.6% year on year.

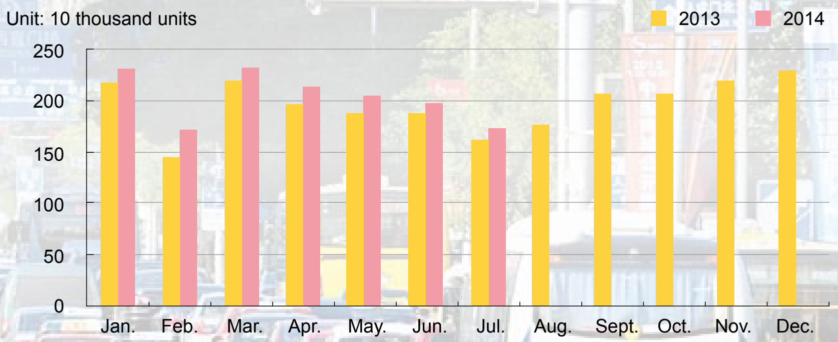
China used to be a kingdom of bicycle, but now it has turned to be a giant market for automobiles, which are changing people's daily life and even mindset too. The market is changing every day. The *Special Report* of this issue will give a full analysis to Chinese automobile market, as well as its automakers. Let's explore more. Safe belt fastened? Vroom, Vroom, Zoom!

## Chart 1 Automobile manufacturing in China




Source: CAAM

## Chart 2 Automobile sales in China




Source: CAAM

# **Shrinking Market** for Homegrown Brand Cars

By Yang Wei

## A downward trend

In the sedan market, the homegrown brands registered an ever worst performance in the past six months with plummeting sales volume and market shares, which was surpassed by German cars. The traditional "big four" homegrown brands are on big declines and Great Wall Motor bored the blunt to see a nearly halved sales volume. See Chart 1.

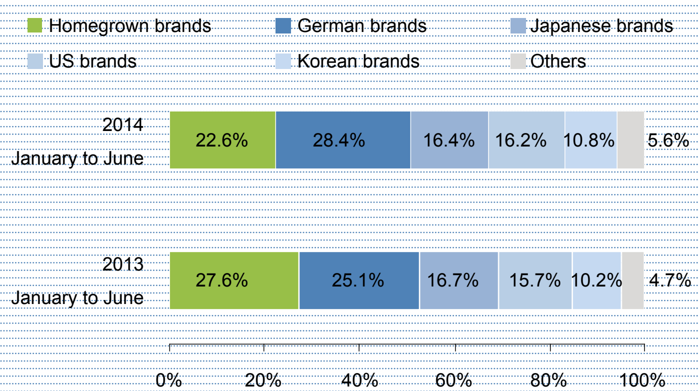
Statistics from Gasgoo show that including the brands contributed by joint ventures, during the past six months the homegrown brands saw a decline in sales volume to 1,393,300, down 13.2% compared with last year's 1,605,300. And its market share decreased by 5 percentage points to 22.6% from 27.6%, lower than that of the German brands (28.4%).

Most homegrown sedan brands see declining sales. In the past six months, nine out of the top ten homegrown brands were on the decline and most of them saw a minimum decline of 30%. Great Wall Motor saw the biggest decline (nearly halved) to 56,700 from last year's 109,700, which was mainly attributed to the company's ignorance of the sedan market with no new investments since last year. See Chart 2.

## Nearly 90% of homegrown sedan brands saw declining sales

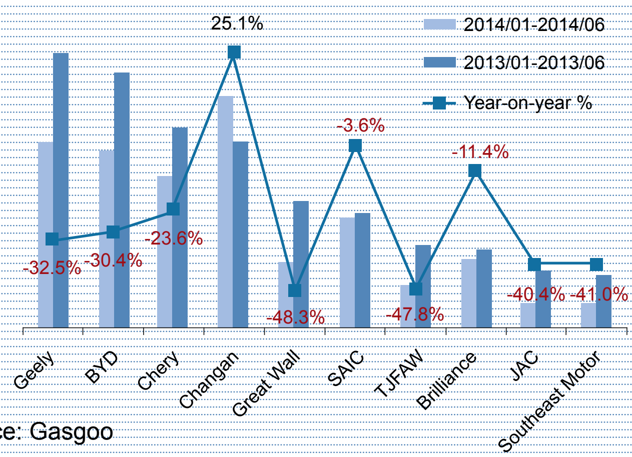
Besides, Geely, BYD and Chery saw 20%-30% declines in sedan sales. Due to its return to one brand and marketing system reform, Geely saw a

**Chart 1 Sedan sales in H1, 2014**




Source: Gasgoo

**Chart 2 Sales of ten homegrown sedan brands in H1, 2014**




Source: Gasgoo

32.5% decline in the past six months to 159,600 units from 236,600; BYD and Chery saw declines of 30.4% and 23.6% to 152,300 and 131,200 units respectively.

TJFAW, JAC and Southeast Motor also saw a sedan sales decline of 40%-50% in the past six months, which excluded them from the top ten sales list.

Changan Automobile is the only winner in terms of sedan sales. Driven by new models, Changan Automobile witnessed a sharp increase of 25.1% to 199,400 from last year's 159,500 to become the bestseller among homegrown brands. On the contrary, Changan Automobile reaped a smaller sales volume comparing with Geely, BYD and Chery last year.

## Sedan sales drags down the market share

Affected by the sedan sales, market share of homegrown brands is on the decline, which has lasted for 10 months by this June. See Chart 3.

Statistics from Gasgoo shows that sales volume of homegrown passenger car brands (incl. those from joint ventures) was 451,300 units in June, up by 13.6% year-on-year and slightly lower than that of the entire passenger car market of 14.1%. The market share of passenger cars has been on the decline for ten consecutive months since last September. In the first half of this year, the sales volume of homegrown brands amounted to 2,885,900 units, up 8.7% from last year's 2,653,700 at a growth rate lower than the market average of 14.8%. Its market share decreased from 34.3% to 32.5%, down 1.8 percentage points year-on-year.

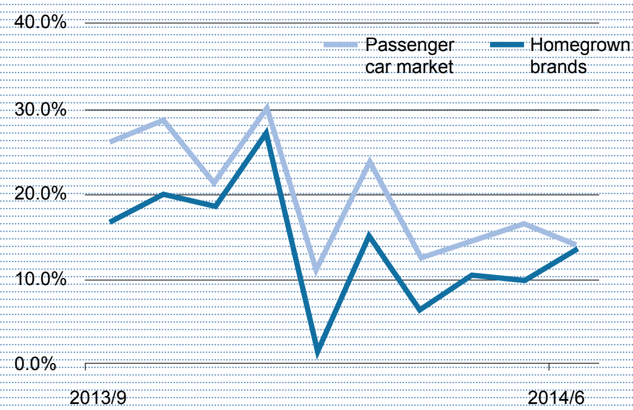
The low market share of homegrown brands is mainly attributed to sedans. In the past six months, both MPV and SUV among the homegrown brands saw fast growth of 55.9% and 30.5% respectively. But the sedan market is on big decline, from last year's 1,605,300 to 1,393,300, down 13.2% year-on-year. Surpassed by the German brands, the homegrown sedan is the only brand on the decline in the entire sedan market. The weak competitiveness of the homegrown sedans is the root cause for its declining sales. Particularly in the sedan market, as the auto market keeps expanding and competition becomes intensified, the homegrown sedan brands are confronted with greater pressure against the lowering auto prices offered by the joint ventures.

## Six out of the top ten homegrown brands saw sales decline

Among the auto enterprises, most of the homegrown brands have witnessed declining sales. Six out of the top ten homegrown brands registered a decreasing sales volume. During the first six months of this year, the top ten homegrown auto brands were SGMW (as a joint venture, SGMW mainly sells homegrown brands or joint-venture models), Changan Automobile, Great Wall Motor, Chery, BYD, Geely, Dongfeng Liuzhou, SAIC, BAIC and JAC.

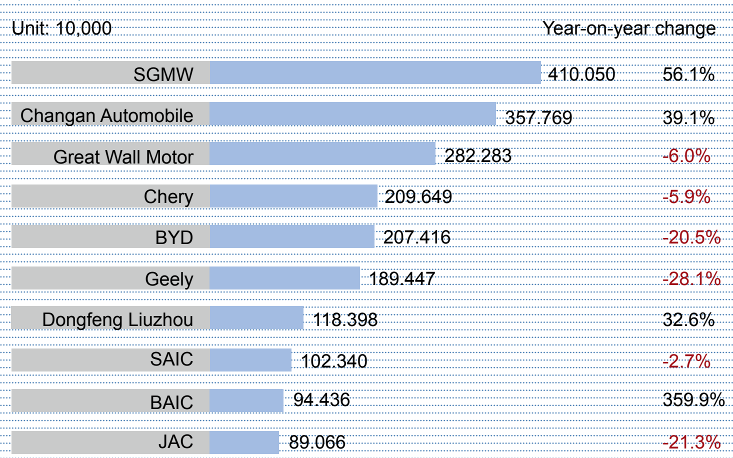
Domestic brand car

**Chart 3 Homegrown brands grow slower than overall passenger car market from Sept. 2013-Jun. 2014**




Source: Gasgoo

**Chart 4 Top ten homegrown passenger car brands in H1, 2014**




Source: Gasgoo

# Chinese Market Ushers in a Surge of Imported Cars

By Wan Li, Chen Zhijie

According to customs data, in June, the total import of automobiles was 122,700 units, up 13.8% year on year; and the total export was 70,600 units, down 19.5% year on year. For the first half, the accumulated imports of automobiles reached 695,500 units, up 30.8% year on year; while the exports were 437,900 units, down 8.9% from the previous year.

According to Q2/2014 China's Imported Auto Market Report released by China Automobile Trading Co., Ltd., imported cars in the first half of 2014 reached 681,000 units, up 29.5% year-on-year and sold cars 563,000 units, up 25.9% year-on-year.

From the perspective of supply, in the wake of stock reduction of imported cars in 2012 and 2013, in the past six months the number of imported cars amounted to 681,000, up 29.5% year-on-year. Owing to the low stock in 2013 and the cease of stock reduction, the average monthly imported car volume exceeded 100,000 units in the first half of 2014.

As for the demand side, coupled with the domestic economic restructuring, policy adjustment and purchase quota policy in many cities as well as the upward consumption trend in the domestic auto market, the low stock in 2013 led to an increase of 23.5% in AAK sales, 25.9% in sold vehicle volume during January to May, namely 563,000 units, which grew at an unexpected rate. Sales in different quarters show that sales volume grew 30.8% in Q1, which was also brought about by the low stock in 2013, while the year-on-year increase rate fell back to 17.2% in Q2. In the mean time, the report holds that the implementation or rumors of the "purchase quota and traffic control" policy in many cities pushed consumers to buy cars in advance, which brought an unexpected sales growth.

It is learned that 38 new cars will be imported to the Chinese market from July to December, which will stimulate domestic consumption. But at the same time localization of production will impact the sales growth of the imported cars to a certain extent.

Statistics shows that the 38 new cars includes 23 totally new models, 9 updated ones and 6 new versions. Regarding the car models, SUV takes a considerable share of 62.5%, sedan 33.1% and MPV 4.4%, the import of all of which shows an upward trend due to the low stock in 2013. The displacement of the imported cars seems on a lowering trend. In the first half of 2014, cars with a displacement below 3.0L accounted for 90.7% among the imported cars. Displacement at 2.5L-3.0L and 1.5L-2.0L were the most popular models with a ratio of 34.8% and 34.4% respectively.

Although production localization will be realized for the popular imported Volvo S60 and XC60, Audi A3 and Landrover Evoque, the hot-selling upgraded SUVs such as Porsche and BMW new X5 are expected to drive China's imported auto market this year.

(Authors: from Nanfang Daily)

# Case Study: Volkswagen, German Auto Giant in China Market

By Yang Wei

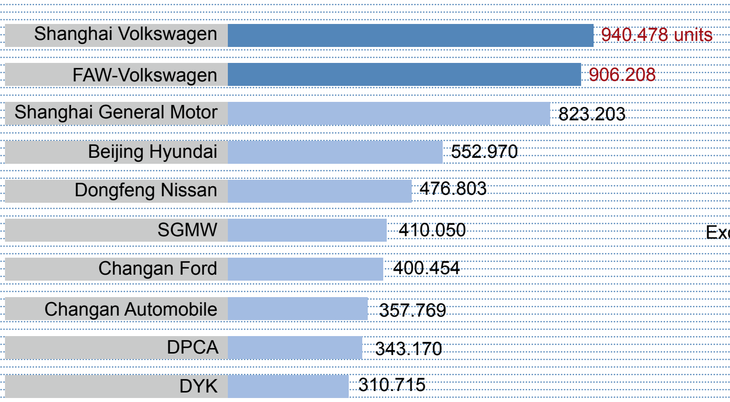
Statistics published by Gasgoo show that in the first half of this year, Volkswagen once again registered a breathtaking sales performance of 1.8467 million units with a year-on-year hike of 21.8%, which is higher than that of the entire passenger car market (14.8%). By virtue of a 1.2 percentage points increase to 20.8% in terms of market share, Volkswagen has consolidated its position in the passenger car market. See Chart 1.


## Winners in China

Shanghai Volkswagen and FAW-Volkswagen, Volkswagen's two joint ventures in China, took the first and second position respectively in terms of passenger car sales. With

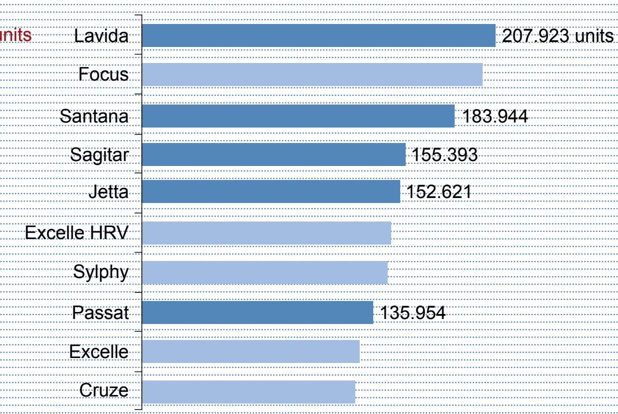
Foreign brand car

**Chart 1 Top 10 hot-selling passenger car brands in H1, 2014**



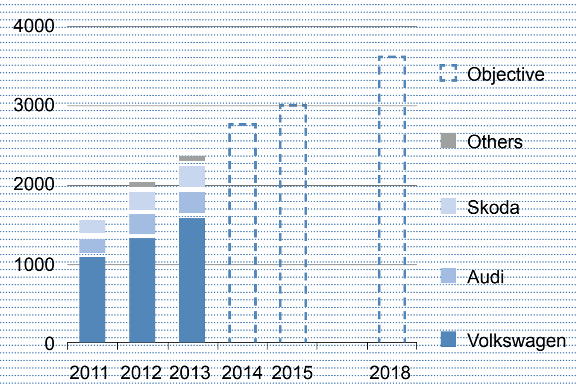

Source: Gasgoo

**Chart 2 Top 10 hot-selling sedan models in H1, 2014**




Source: Gasgoo

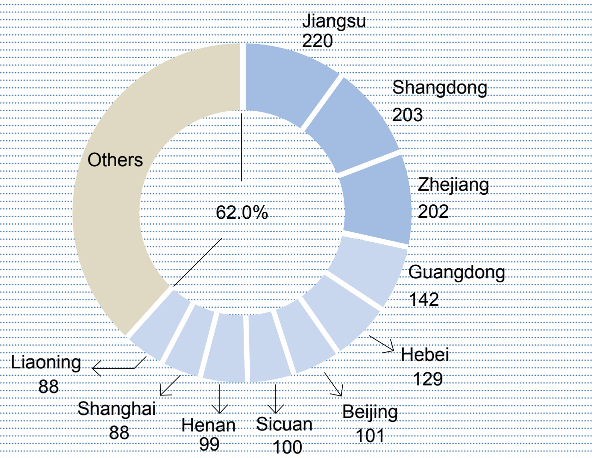
**Chart 3 Volkswagen's current dealers in China and future objective**




* Note: Numbers in 2015 is original objective, and numbers in 2014 and 2018 are updated

Source: Volkswagen's website report, Gasgoo

**Chart 4 Volkswagen's dealers in China as of 2013**




Source: Volkswagen website report, Gasgoo

a high sales volume in January and February, Shanghai Volkswagen topped the passenger car sales list with a sales volume of 940,500 units during the first half of this year; FAW-Volkswagen took the second place with a semi-annual sales volume of 906,200 units and top sales volume from March to June. And last year's sales champion Shanghai General Motor ranks third with a sales volume of 823,200 units in the past six months.

Upgrading product strategy contributes to Volkswagen's top sales volume. Particularly in the sedan market, Volkswagen reaped an outstanding performance with an increase of 19.4% in domestically-produced sedan sales to 1,595,600 units. The auto giant dominates a market share of 25.8%, higher than that of the homegrown brands — 22.6%.

In the domestic sedan market, half of the top 10 popular cars and 4 out of the top 5 come from Volkswagen. Shanghai Volkswagen has an extraordinary performance: Lavida and Santana ranked first and third respectively with a monthly sales volume of over 30,000 units; B-level Passat also has a good performance, ranking eighth with a sales volume of 136,000 units and it tops the B-level sedan sales list. See Chart 2.

Unlike Shanghai Volkswagen, FAW-Volkswagen registers an average performance: Sagitar and Jetta ranked fourth and fifth respectively in the sedan market with a sales volume of 155,400 and 152,600 units. Among the top 20 sedans, however, FAW-Volkswagen has six models on the sales list, which almost include all of its sedan models.

Apart from the sedan market, Volkswagen also performs well in the SUV market. In the past six months, Volkswagen sold 233,100 domestically-made SUVs, up 45.8% year-on-year. Tiguan's sales volume keeps expanding to 127,500 units in the first half of this year, ranking second in the entire SUV market. This sales champion in the mid- and high-end SUV market is only next to Haval H6.

## Fast expanding dealer's network

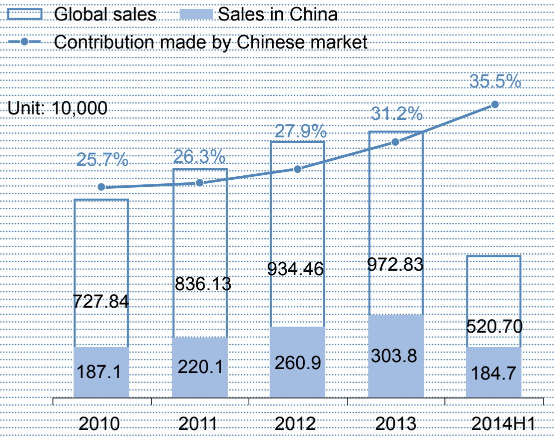
Volkswagen has been witnessing an increasing number of dealers in China during the past two years. Gasgoo's statistics shows that by 2013 Volkswagen had a total of 2,395 dealers in China, the growth of which is half of the 1,590 dealers as of 2011, which means an average 400 new dealers on a yearly basis. See Chart 3.

Volkswagen announced in 2012 that its dealers in China will reach about 3,000 by 2015, nearly double of that in 2011. And in Volkswagen's recent report, its new objective is to realize 2,750 dealers by the end of 2014 and more than 3,600 by the end of 2018.

Among different brands, Volkswagen's biggest brand — passenger car possesses the biggest number of dealers. With a growing sales volume, the dealer network keeps expanding. Volkswagen's passenger car reaped a sales volume of 2,395,700 in 2013, up 39.0% from 1,723,000 in 2011. And its dealer number rose to 1,593 from 1,120, up 42.2%, slightly higher than sales growth rate.

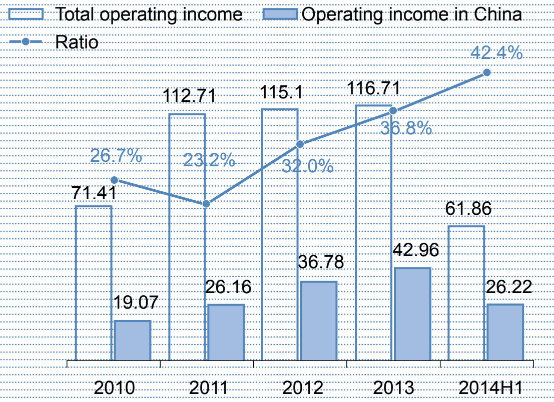
Skoda's dealer growth rate is higher than its sales growth rate. From 2011 to 2013, Skoda's domestically-produced auto sales in China increased to 231,200 from 220,000, up 5.1%, while its dealer number increased 1/3 to 320 from the original 240.

**Chart 5 Chinese market contributes more to Volkswagen's global sales**




Source: Gasgoo

**Chart 6 Volkswagen China creates bigger operating income during 2010-2014**

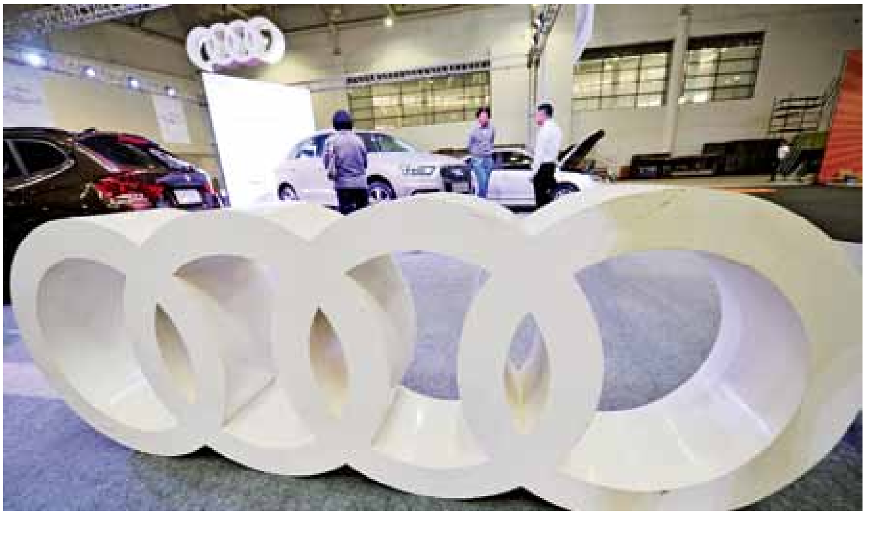



* Note: Volkswagen's total operating income excludes that from the Chinese market

Source: Gasgoo

Audi's dealer growth rate is lower than its sales growth rate. In the past three years, Audi's domestically-produced auto sales grew to 410,300, up 59.2% from 257,700 and higher than its dealer growth rate, which saw a hike of 48.3% to 341 from 230 in 2011. What is special is that Audi registered a higher sales volume than Skoda in the past three years, while its dealer number exceeded that of Skoda in 2013 for the first time.

Across the national 31 provinces, autonomous regions and municipalities, most Volkswagen dealers in China are located in Jiangsu, Shandong, Zhejiang, Guangdong, Hebei, Beijing, Sichuan, Henan, Liaoning and Shanghai, the sum of which accounts for over 60% of Volkswagen's total dealers in China. As of 2013, each of the provinces — Jiangsu, Shandong and Zhejiang had more than 200 dealers, and Guangdong, Hebei, Beijing and Sichuan had at least 100 dealers respectively. See Chart 4.



## More profitable Chinese market

As sales volume keeps increasing, Volkswagen's operating income continued to grow in the past 4 years yet at a moderate speed. Except 2010, Volkswagen registered a slight growth rate within 3% during 2010-2013 to EUR 11.671 billion by 2013. From January to June, Volkswagen merely saw a growth of 7.0% in operating income to EUR 6.186 billion. See Chart 5.

However, the operating income contributed by Volkswagen China grows fast with a bigger ratio versus Volkswagen's total revenue. Volkswagen China's operating income grew from RMB 1.907 billion in 2010 to RMB 4.696 billion in 2013 with an over doubled year-on-year growth rate. The ratio of operating income contributed by the Chinese market versus Volkswagen's total reached 36.8% as of 2013. In the first half of this year, this ratio increased to 42.4% with an operating income of EUR 2.622 billion, up 10.6% year-on-year. See Chart 6.

# Booming SUV Market

By Zhu Jiehua

## Chinese brands: Increasing sales, shrinking shares

The SUV market also witnessed a reducing market share for Chinese self-owned brands besides the car market. However, the SUV sales volume has seen a rapid growth rate.

According to Gasgoo, the accumulated Chinese self-owned brand SUV sales volume for the first half year amounts to 730.3 thousand units, rising 30.5% from last year's 559.4 thousand, however a little lower than SUV market's average growth rate of 35.9%. The market share of the self-owned brand SUV reduced from 42.0% to 40.3%, down 1.7 percentage points.

Haval H6 sold 143.1 thousand units in the first six months of the year, ranking top of self-owned SUV brands. Compared with the performance last year, its sales rose 61.1%. It is worth mentioning that Haval H6 is the only car model with rising sales of all Great Wall models.

Great Wall M4, which was popular in the past, has witnessed sales drop by 12.1% to 51.6 thousand units, surpassed by Changan CS35 and BYD S6. CS35 and BYD S6 have sold 53.7 and 52.1 thousand units in the first half of the year, up 64.4% and 30.6% and ranking second and third respectively.

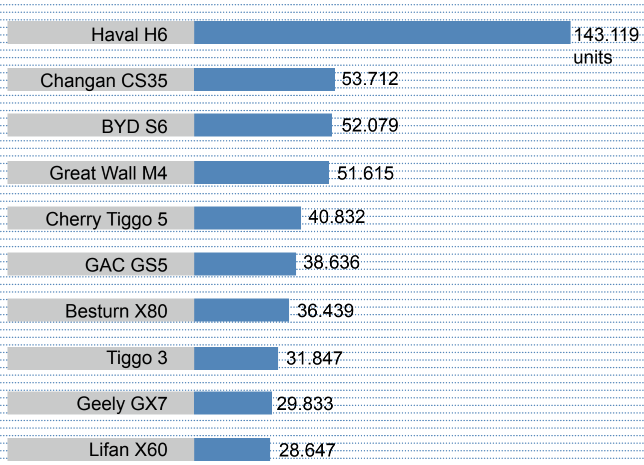
The new launched SUV models include Tiggo 5 and Besturn X80, which have sold 40.8 and 36.4 thousand for the first half year, ranking 5th and 7th respectively.

Among other top 10 brands, GAC GS5, Geely GX7 and Lifan X60 have seen sales growing by 24.9%, 11.5% and 10.5%. Tiggo 3 saw sales drop by 27.4% to 31.8 thousand units. See Chart 1.

## Foreign brands: High growth rate, cheaper price

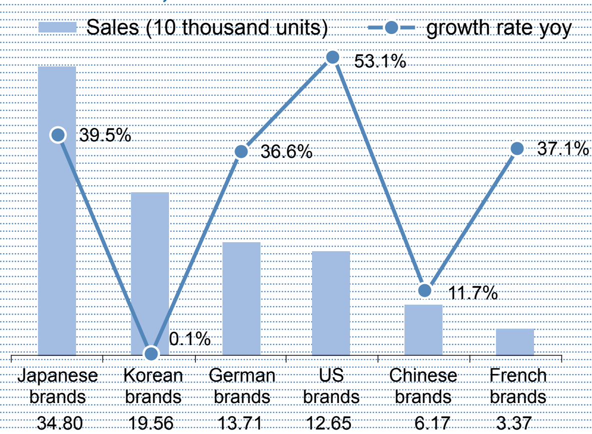
The reducing market share for domestic SUV brands is caused by the increasing sales of foreign brand SUV. Expect Korean brands, other foreign SUV brands enjoy a more than 45% growth rate, especially the new SUV models. The U.S. SUV brands have witnessed the

**Chart 1 Top 10 of the Chinese domestic SUV brands in H1, 2014**




Source: Gasgoo

**Chart 2 Sales of middle and high-end SUV* in China in H1, 2014**




* SUV models priced between 150,000 to 300,000 yuan.

Source: Gasgoo

largest number of new-launched SUV models, with its sales impressive increase by 73.8%. The Japanese and German SUV brands have achieved 47.4% and 46.7% increase respectively.

Another factor leading to the shrinking shares of domestic SUV brands is the lower price of their competitors. In the past, foreign brand SUV is normally priced at more than 150,000 yuan. However, from last year some prices have already been lower than 50,000 yuan, which is the price range for self-owned SUV products.

For example, Ford Ecosport launched last March sold quite well in the market, with recommended price of 94.8-127.8 thousand yuan, ranking into top 5 of the SUV market. This year, Suzuki, GM and PSA launched S-cross, Trax and Peugeot 2008 into the market competition. These four brands have accumulated sales of 86.4 thousand units combined in the first half of this year, taking 13.2% of the SUV market.

## Analysis to middle and high-end SUV sales

According to Gasgoo, the SUV market keeps fast growing in the first half year. When looking at the middle and high-end SUV market, with the price between 150,000 to 300,000 yuan and the biggest share in the SUV sales, the sales volume is 902.5 thousand units for the first half year, rising by 27.5% from last year's 707.6 thousand units. The new SUV brands have been the key to the market growth.

The first half year has seen a marked increase in sales of Japanese, German and the U.S. SUV brands, with more than 30% growth rate. The U.S. SUV brands have the highest growth rate, rising from 82.6 to 126.5 thousand, up by 53.1%. Its market share has risen by 2.3% to 14.0%. The new launched SUV models, including Ford Ecosport and Encore have seen rapid growth rate (77.0% and 58.6% respectively), promoting sales of the whole series of U.S. brands. See Chart 2.

Japanese middle and high-end SUV brand sales increased from 249.5 thousand units last year to 348 thousand this first half year, up by almost 40%. Its market share rose by 3.3 percentage points to 38.6%. The rapid rise of Japanese SUV is associated with the higher sales of new models, including Mazda CX-5, New X-trial and New ASX, and also low sales base caused by Diaoyu Island Incident last year.

German middles and high-end SUV brands sold 137.1 thousand units in the first half year, rising by 36.6% year-on-year. This year, German brand series has seen the second launched SUV models — Scoda Yeti, selling 9,521 units during the first half year. VW Tiguan is still popular with its sales, rising by 27.1% to 127.5 thousand units, still the highest best-selling SUV model in China's middle and high-end market.

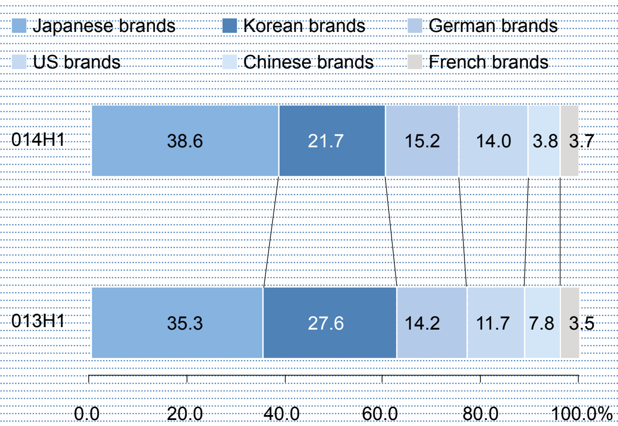
Compared with the strong performance by U.S., Japanese and German SUV brands, Korean brands performed poorly with shrinking market shares. During the first half year, the middle and high-end Korean SUV brands sell 195.6 thousand units, only 259 higher than last year. Its market share fell from 27.6% to 21.7%, down by 5.9 percentage points. The major reason includes the high sales base and lack of new launched SUV models. See Chart 3.

The most prominent change is that Encore finally becomes top 10 models. In the first half year, the sales of Encore rose 58.6% to 40.7 thousand units, ranking 9th among the best-selling models. Ford Ecosport sold 66.2 thousand units, ranking fourth with four positions higher than last year. Since its launch, Ford Ecosport has been popular in sales with monthly sales exceeding 10,000 units. Its 77.0% growth rate is the highest among the top 10 SUV models. See Chart 4.

(Author: from Foreign Languages Department, Changsha University)

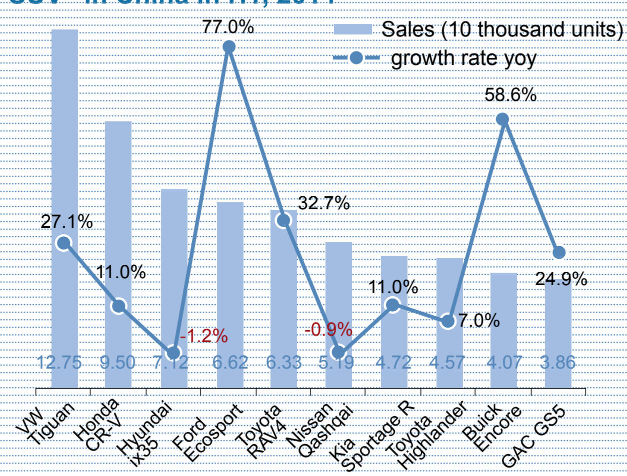
SUV

**Chart 3 Market share of middle and high-end SUV* in China in H1, 2014**




* SUV models priced between 150,000 to 300,000 yuan.
Source: Gasgoo

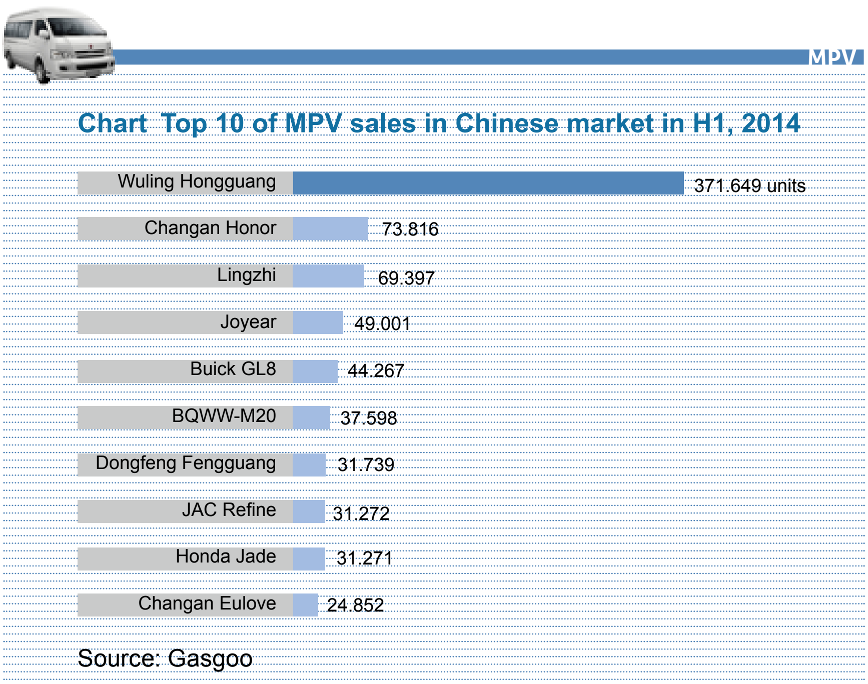
**Chart 4 Top 10 best-selling middle and high-end SUV* in China in H1, 2014**




* SUV models priced between 150,000 to 300,000 yuan.
Source: Gasgoo

# MPV Grows Fastest

By Tang Shengying




## Impressive growth by volume and market share

MPV has become the fastest-growing segmented market in the automobile industry, with its market share growing to more than 10%.

According to Gasgoo, during the first half year of 2014 the number of sold MPV has risen to 893.7 thousand units, compared with 585.5 thousand units last year and up by 52.6%. It is the fastest-growing market and even higher than 35.9% growth rate of SUV. The market share of MPV rose from 7.6% to 10.1%, up by 2.5%.

## New car stimulates market growth

Domestic self-owned brands enjoy apparent advantages in MPV sales and the market shares have been growing fast. In the first half of this year, self-owned brand MPV sales increased to 762.3 thousand units, up by 55.9%. Its market share rose 1.8% to 85.3%. Also it is worth mentioning that domestic brand sales have surpassed the SUV sales volume, which is 730.3 thousand units.

The strong sales of Wuling Hongguang is a major driving force of the market growth. In the first half year, the total sales of Wuling Hongguang reached 371.6 thousand units, rising 71.0% from the same period of previous year (217.4 thousand), the highest growth rate in the MPV units market. Wuling Hongguang S model tops the lead, followed by BQWW-M20 from Beijing Auto, and Dongfeng Fengguang.

Regarding foreign auto brands, the Japanese MPVs enjoy the highest growth rate led by Honda Jade. The growth rate in the first half year reached 68.3% on year-on-year basis and the total number of sales is 63 thousand units, compared with 37.4 thousand same period last year. The number of American cars sold is 44.9 thousand units, up by 28.9% on year-on-year basis. German cars saw sales drop, down by 3.2% to 23.5 thousand units.

## Four new models listed top 10

Ranked in descending order, the top 10 MPV brands in the market include Wuling Hongguang, Changan Honor, Lingzhi, Joyear, Buick GL8, BQWW-M20, Dongfeng Fengguang, JAC Refine, Honda Jade, Changan Eulove. Wuling Hongguang takes 41.6% shares of the MPV market, while the rest models take the share of less than 10%.

The second Honor and the third Lingzhi boast 73.8 thousand and 69.4 thousand units of sales respectively in the first half year, with more than 10 thousand units of sales each month. The fourth Joyear and fifth Buick GL8 receive sales volume of 49 thousand and 44.3 thousand units for the first half year.

New cars constitute most of the rankings from the 6th to 10th, as four of them are new cars except JAC Refine. The independent brands BQWW-M20, Dongfeng Fengguang and Eulove sell 37.6 thousand, 31.7 thousand and 24.9 thousand units respectively. Honda Jade ranked the 9th with sales of 31.3 thousand units.

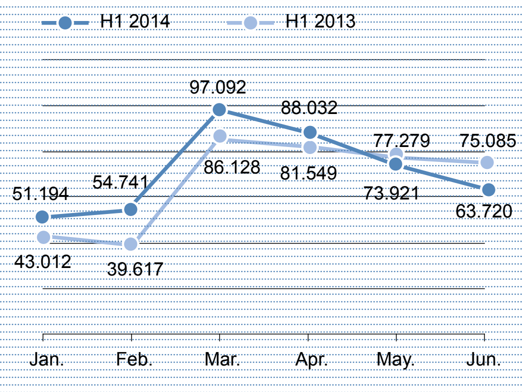
(Author: Ph.D. from Beijing Sport University)

# Declining Truck Market

By Hu Yanxi

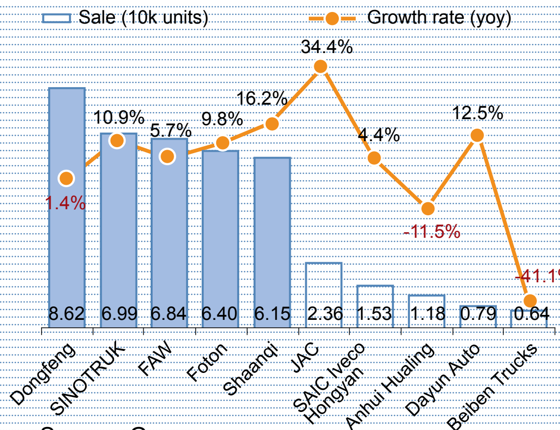


Chart 1 Heavy track sales in China




Source: Gasgoo

Chart 2 Top 10 sellers in heary truck market in H1 2014




Source: Gasgoo

According to CAAM, during the first half year of 2014, the sales of trucks have seen declining in sales. The production and sales of trucks reached 1.8009 million and 1.7707 million, down by 1.04% and 4.27% respectively.

## Rise and fall of truck sales

According to Gasgoo, domestic heavy truck market has witnessed growth in sales (including non-holonomic vehicles and semi-trailer towing vehicles), with accumulated sales of 429 thousand units, up by 6.5% than that of last year. Regarding monthly sales volume, the heavy truck market has first rose and then declined. The market grew robustly in the first quarter but appeared weak in the second quarter, with sales beginning to drop. See Chart 1.

As the market is undergoing further recovery and the base number of last year is low, the heavy truck market is experiencing a two-digit growth for the first quarter, particularly in February of 38.2%. Since April the heavy truck market growth slowed down, with growth rate of April falling to 7.9%. The market sales fell by 4.3% in May and 15.1% in June. This is because it has been off-season after April and expected consumption came forward, leading to high sales base.

## Monthly sales exceeding 10,000 for top 5 players

A further study of the heavy truck market shows that the top 5 players sell much more than other companies, with their monthly sales exceeding 10,000, with accumulated sales reaching 349.9 thousand and accounting for 81.6% of the total sales. The ranking of sales in descending order goes as: Dongfeng, SINOTRUK, FAW, Foton and Shaanqi Auto. See Chart 2.

Although Dongfeng brand has witnessed a slight 1.4% drop in sales for the first half year, its 86.2 thousand units sales record suffices to secure its top position. SINOTRUK could not match FAW's performance last year, but this half year its sales increased by 10.9% to 69.9 thousand units, surpassing FAW and ranking second; FAW rose by 5.7% in sales to 68.4 thousand units and ranking third.

The heavy truck sales of Shaanqi Auto, which ranks fifth in the list, rose by 16.2% to 61.5 thousand units, the highest growth rate among the top 5 companies. Foton sold 54 thousand heavy trucks for the first half year, up by 9.8%.

Ranking from sixth to tenth includes JAC, SAIC Iveco Hongyan, Anhui Hualing, Dayun Auto and Beiben Trucks. Their respective sales volume is lower than 24 thousand units, which is large gap from the top 5. JAC performs best among these five manufacturers, rising by 34.4% to 23.6 thousand units. Dayun Auto has grown by 12.5% in sales, with sales volume of 7645 units.

However, Anhui Hualing and Beiben Trucks saw slump in sales, with sales volume down by 11.5% and 41.1% respectively, to 11.8 thousand units and 6438 units.

(Author: from Xiangtan Yizhi School)

# Bus Market: Growing Slowly

By He Huan

According to CAAM, during the first half year of 2014, the sales of buses have grown slowly. The production and sales of passenger vehicle amount to 274 thousand units and 279 thousand units respectively, up by 2.49% and 4.31%.

## Overall increase of bus sales

According to Gasgoo, during the first half year the sale of buses (whole vehicle) has accumulated sales of 243.1 thousand units, up by 7.0% year on year. The first three months have seen large increase in sales, while since April the sales volume has slumped, especially the sales of 45,301 units in June, lower than 45,345 units of last year. The reason is that the expected implementation of National Fourth Standard has brought forward consumption and created high sales base. See Chart 1.

Although the bus market growth slows down, according to She Zhenqing, Deputy Secretary of Passenger Vehicle Association of China Highway and Transportation Society, the passenger vehicle sales growth rate will surpass 8%. This is mainly impacted by policy and market environment. Regarding the policy, the government will issue energy-saving and emission-reducing policy, bus priority policy, to strengthen operation management, security upgrading, information and smart city. Such policies will further promote the upgrading the bus market. In terms of market environment, the increasing pressure of reducing PM2.5, the opportunity of relieving city traffic congestion and accelerated urbanization will create favorable conditions for Chinese bus makers.

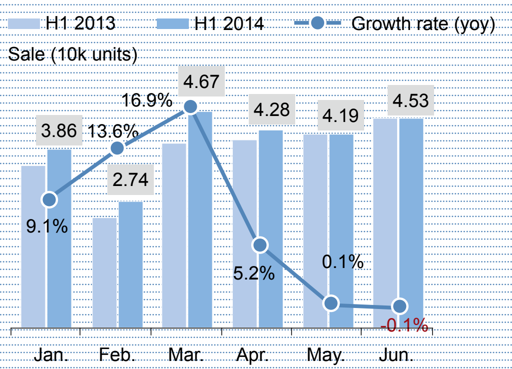
## Light bus sells better

Considering the segmented market, light bus performs quite well, with accumulated sales reaching 182 thousand units for the first half year, up by 13.1%. Its market share has increased rapidly by 4.1% to 74.9%. See Chart 2.

In the first half year, the top 10 light bus companies include Jinbei Auto, JMC, NAC, Foton, Kinglong, Golden Dragon, Changan Bus, SAIC Commercial Vehicle, Suzhou Kinglong and Dongfeng. Changan Bus has the largest growth rate, with 8008 vehicles sold, up by 181.5%. Kinglong, Gloden

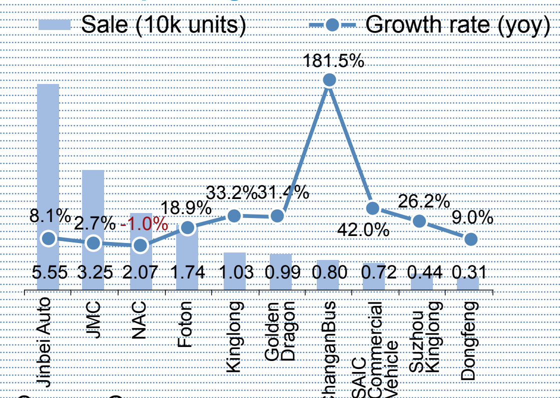

Bus

**Chart 1 Bus sales in China**




Source: Gasgoo

**Chart 2 Top ten light bus sellers in H1, 2014**




Source: Gasgoo

Dragon and SAIC Commercial Vehicle have witnessed more than 20% growth rate.

Jinbei Auto has seen an 8.1% increase in sales, to 55.5 thousand units and surpassing those of other companies. The second ranking JMC has seen its light bus sales up by 2.7% to 32.5 thousand units. NAC from Nanjing has seen sales of 20.7 thousand units, lower than 0.1%, the only decline among the top 10 companies.

### Dropping sales for Large and mdeium buses

Things are not that optimistic for large and medium bus market. The sales of medium bus for the first half year have dropped by 14.5% from 30.6 thousand units last year to 26.2 thousand units, down by 2.7%; the large bus market has seen sales down by 2.1% to 34.9 thousand units, and its 14.4% market share indicates a 1.3% drop.

The major companies manufacturing large and medium bus have all seen sales drop. Yutong has seen its large and medium bus down by 10.1% and 10.4% respectively, but its number of sales of 10,622 and 9,965 still tops the market. Kinglong, Golden Dragon, SZ Kinglong (who are well-known as "三龙", "three dragons") have seen their large and medium bus sales dropped by 13.9% and 14.7% to 10,256 units and 7,131 units respectively.

### Highest growth rate in North China

According to CAAM, the first half year of 2014 has seen North China as the region with largest sales increase in bus market. Northeast China and East China have lower growth rate, while other regions have seen sales drop.

There are 32 thousand buses sold in North China, up by 12.99%; 18.2 thousand buses have been sold in Northeast China and 75.4 thousand for East China, up by 8.46% and 1.30% respectively. There are 29.9 thousand units of bus sold in Middle South region, down by 8.17%; 23.2 thousand units were sold for Southwest region, down by 2.27%, and 14.2 thousand units were sold for Northwest region, down by 9%.

(Author: from Foreign Language Teaching and Research Press)

# Auto Export Faces Great **Pressure**

By Wu Di

The declining export of China's homegrown brands rings the bell for the domestic auto industry.

According to the statistics of CAAM, the auto export was 71,700 units in July, down 11.5% from that of last month, and down 10.7% year on year. The auto export continued to decline on a yearly basis. Among different types, the passenger cars were 39,600 units, down 16.3% from that of last month, and down 21.5% year on year; and the commercial vehicles were 32,100 units, down 4.7% from that of last month, but up 7.4% year on year.

For the first seven months, the export reached 516,600 units, down 9% year on year. To be specific, the passenger cars reached 302,300 units, down 12.3% year on year; the commercial vehicles were 214,300 units, down 4% year on year. See the Table.

### Reasons of export decline

Starting from May last year, China's auto export began to decrease. "On the one hand, importers such as Iraq, Iran and Algeria import less cars compared with 2012 due to turbulent political situation and other objective reasons; on the other hand, the US quantitative easing policy and competition from Japanese and Korean cars in the domestic market impact the homegrown auto brands," said Yao Jie, deputy secretary general of CAAM, when analyzing the causes for the declining Chinese auto exports.

Some other analysts hold that the declining exports of

China homegrown brands are caused by too much brands tapping into the international market, low-end exported cars and immature after-sales system in the overseas market. Shi Jianhua, deputy secretary general of CAAM regards that the homegrown auto brands are in the initial stage in terms of specialized R&D for the overseas market and production localization, and it is a long way to go for the homegrown brands to go global.

Experience of the homegrown brands nudging into the overseas market in the past two years tells that the targeted overseas market is not stable due to environment and energy problems; weak competitiveness and inflexible market strategy restrict the homegrown brands to "go global".

## Adjust export strategies

As a matter of fact, China's homegrown brands promise greater potential for exports compared with countries with developed auto industry. At present, China's auto export merely accounts for around 4% in its total sales, Germany 75%, Japan 65% and Korean 50%.

Analysts hold that with auto market in the infant stage, the developing countries such as Africa and South America have low recognition towards auto brands and less demands for auto quality. Therefore, these countries can be treated as the focus market for the homegrown brands to export cars.

"Such countries as Brazil, South Africa and Iran have a small and immature auto market and haven't attracted due attention from multinational auto giants. Thus the homegrown brands may take early moves in these countries," said Zhang Zhiyong, famous critic in the auto industry.

## Set up plants to be more localized

Since the year of 2014, many Chinese auto enterprises including Geely, JAC and Chery have set up plants in Brazil, India and Russia. Southeast Asia, North Africa, East Europe and South America are destinations for the domestic auto enterprises to set up plants.

China has become one of the important passenger car export centers in the world, shifting from the original whole vehicle export to setting up plants abroad. At the same time, the domestic auto enterprises with plants abroad have made big adjustments to the local plants based on domestic and overseas political and economic changes. Chery and Great Wall Motor are typical representatives among the homegrown brands.

The plants set up abroad can be grouped into two categories — SKD and CKD, which may save costs. CKD (Completely Knocked Down) means importing the entire car; while SKD (Semi Knocked Down), normally known as "semi-finished product", means the car is assembled before selling based on semi-finished products or spare parts.

So far, Chery has covered Asian, European, African, South American and North American markets with 16 overseas plants, over 1,100 distribution networks and more than 900 service stations.

Latin American Motors (LAM), business partner of Great Wall Motor in Brazil, announced at the beginning of last year that in mid-2014 with local plants built by LAM, Great Wall Motor plans to have an initial annual production of 50,000 units, which is expected to increase to 100,000 units.

This year, Changan Automobile plans to quicken its expansion strategy in the overseas market by considering setting up new plants in emerging markets. "Changan is considering this year setting up car assembly plants in the overseas markets such as Russia and Brazil," said Xu Liuping, president of Changan.

In addition, both Geely and BYD have plans to set up plants in Brazil this year, and Lifan Group will initiate the "South America Strategy" by upgrading its plant in Uruguay.

However, current consumption demand in the domestic market greatly differs from that in the overseas market, which means the popular car models in China may be not suitable for the overseas market. Then, the homegrown brands are required to engage in targeted car model R&D and production localization based on a deep understanding of the overseas market.

(Author: from Hunan Normal University)

Export

Table: China's auto export in Jan.- Jul., 2014

| Vehicle types | July (units) | Growth yoy % | Growth mom % | Jan.- Jul. | Growth yoy % |
|---|---|---|---|---|---|
| Total | 71,700 | -10.7 | -11.5 | 516,600 | -9 |
| Passenger cars | 39,600 | -16.3 | -21.5 | 302,300 | -12.3 |
| Commercial vehicles | 32,100 | -4.7 | 7.4 | 214,300 | -4 |

Source: CAAM

# Real-estate Market in Difficult Times

By LanShen, Stephen Green

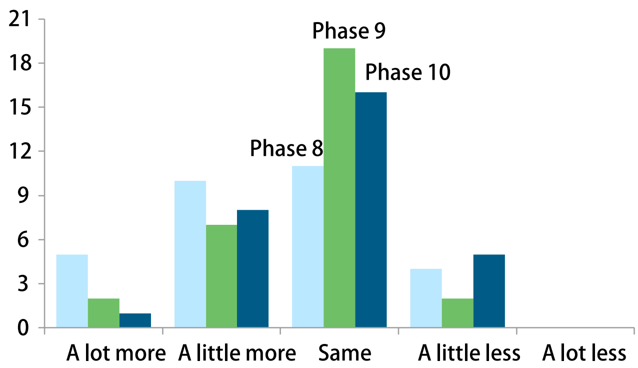

China's housing market has been identified by some as the biggest risk to the global economy. There is unfortunately little independent data – apart from apartment sales and new project starts – to help us assess what is really going on, or what developers plan to do in terms of land purchases and price cuts. Our quarterly survey of developers attempts to fill that gap. In June-July 2014, we spoke to 30 senior managers in six cities (Hangzhou, Lanzhou, Baoding, Foshan, Huangshi, Nanchong) and asked them 52 questions about what they were seeing then and what they expected in the near future. Most of them are small, unlisted developers.

## Construction

Construction activity continued to moderate in Q2-2014. More than half of the 30 developers we surveyed in June-July 2014 Phase 10 of our survey – see page 10 for a timeline reported no change in the scale of their construction activity during the previous three months. Five reported less activity, up from two in our previous Phase 9 survey (Figure 1, this section). In the next three months, eight said they would build more, down from 15 in Phase 9 (Figure 2). The number reporting that they were seeing peers slow building activity continued to rise in the latest survey, to 24 out of 30. The amount of land that developers have under construction is also down .

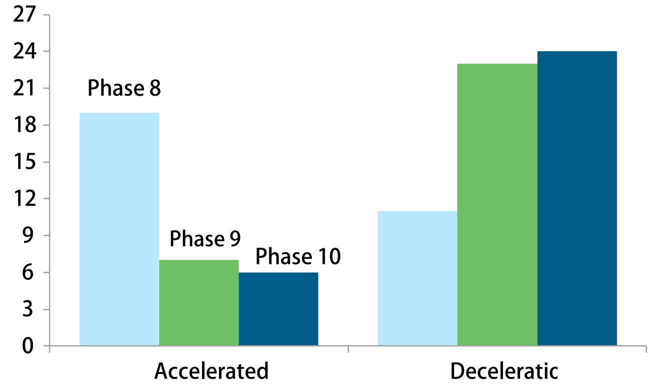
Why the deceleration in construction? Our surveyed developers believe the market is in the doldrums, sales are stagnant, and the near-term outlook is not good. Some also noted rising financing costs (on which more below). Even those that had increased their construction activity cited rising financing and land costs as a concern.

**Figure 1: How much construction is currently active compare to three months ago?**
*No. of respondents*



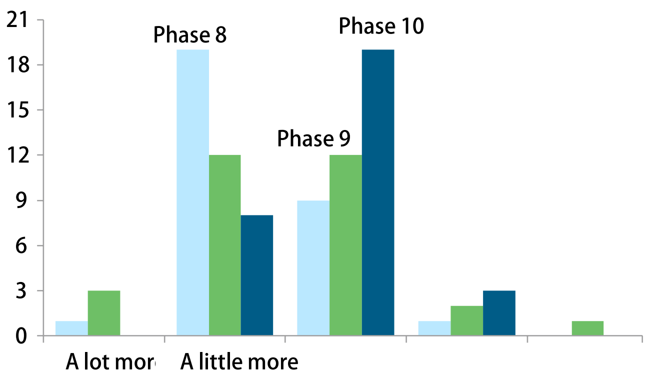

Source: Standard Chartered Research

**Figure 3: Is more land being released in your city now than three months ago?**



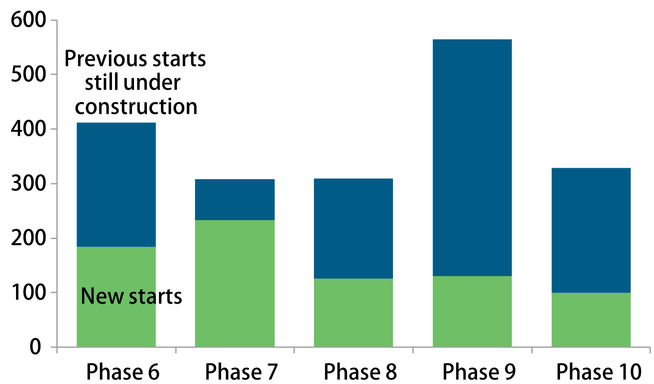

Source: Standard Chartered Research

**Figure 2: In the next three months, how much more land will you have under development?**
*No. of respondents*




Source: Standard Chartered Research

**Figure 4: What has happened/will happen to average land auction prices in your main cities?**




Source: Standard Chartered Research

Progress on social housing construction is still slow, despite the big push from Beijing. Financing seems to be a challenge, according to the developers. Funds released under the Pledged Supplementary Lending (PSL) facility by the People's Bank of China to China Development Bank (CDB) should help, but it is unclear how quickly these funds will be dispersed.

## Land

China's land market is clearly cooling. The number of land parcels released by city governments is falling, according to our developers. 13 of our respondents reported less land being released for sale in the previous three months and seven reported a lot less – much higher numbers than in recent phases of the survey (Figure 3). Developers' appetite for buying land has also ebbed: 16 developers reported that their local peers had become less keen on buying, up from six in Phase 8.

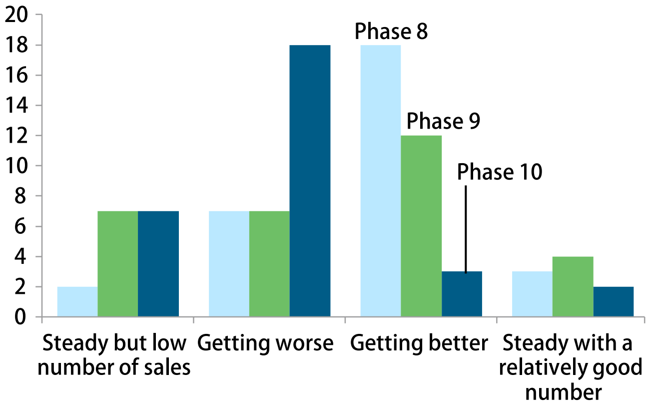
21 of our 30 surveyed developers said they did not intend to buy any land in the next three to six months, continuing the recent trend .

Land price growth has slowed. 13 developers reported flat land prices and seven reported declines of up to 10% in the previous three months. The developers say they expect prices to remain flat in the next one to two quarters (Figure 4).

## Apartment sales

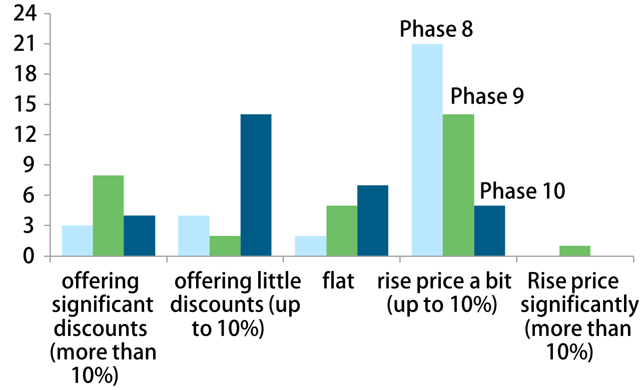
Apartment sales are deteriorating, even with discounts. 18 of our developers said that they believed their peers' sales had deteriorated (Figure 5), the highest number

**Figure 5: How do you perceive your peers' sales in the past three months?**




Source: Standard Chartered Research

**Figure 6: What is the pricing strategy of other developers in your city for newly launched projects?**




Source: Standard Chartered Research

since Phase 5 in early 2012. While 12 of the developers reported flat sales compared to three months earlier, 10 experienced a decline and five reported a 20-30% drop . Our developers say that 39% of their projects launched this year have been sold, while the ratio is 50% for all projects they are still selling.

Purchase incentives are now widespread in the cities we surveyed. 17 developers reported that they believed 70-90% of their peers were offering such incentives, mostly price discounts, as well as gifts (such as home decoration, car parking spaces and furniture) and lower down-payment ratios. Even with these inducements, 16 developers said they were less confident than three months ago.

Our survey showed no material change in the structural motives of buyers. Owner-occupied buying remains dominant. About 76% of sales are to meet real demand, including from first-time buyers and genuine upgraders, up from 65% in Phase 9. The share of buying for investment purposes declined further. Our surveyed developers say that empty apartments are not a common phenomenon in their cities.

Rising inventories are one of the biggest drags on the market. Eight developers reported that inventories of unsold apartments are falling in their cities, down from 11 in Phase 9, while 17 reported rising inventories. Nearly half of our developers expect inventories to rise, and 10 expect inventory building to accelerate .

## Apartment prices

Apartment selling prices have moderated, according to our developers. We focus on the new home market. 18 of our 30 developers reported that other developers in their cities are offering discounts on newly launched projects to attract buyers – eight more than in Phase 9 (Figure 6). Among them, most are offering price cuts of up to 10%.

Echoing this, 11 of our surveyed developers reported offering price cuts of up to 10% in the past quarter, and three offered bigger discounts. However, the price outlook is stable. 14 of the 30 developers expect flat prices in the next quarter, while seven expect continued mild price moderation. None expect a material price correction. Most believe a reversal of market sentiment is more important than discounts in turning the market. A number of our developers argued that it does not matter how much they cut prices, buyers are still very cautious.

## Developer financing

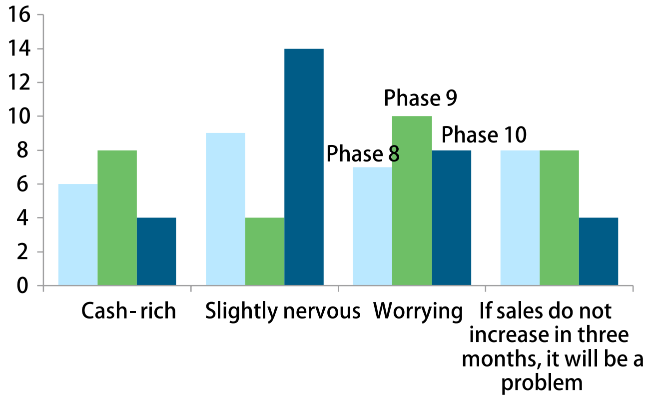
Financing conditions for developers have been tight in recent months. Instances of default still appear uncommon, but the situation is worsening, according to our developers. 22 respondents reported that they believed their peers were nervous or worried about their cash positions, eight more than in Phase 9. Four believe that if sales do not improve, bigger problems will emerge (Figure 7).

Defaults do not appear common, though: the majority of our respondents had not heard of any cases. Delays in payments to suppliers are more common than delays in payments to city government and creditors. Also, half of our respondents had heard of developers looking to sell land to raise cash, a higher ratio than in previous surveys.

Bank and trust loans are the two main sources of funding for most developers.

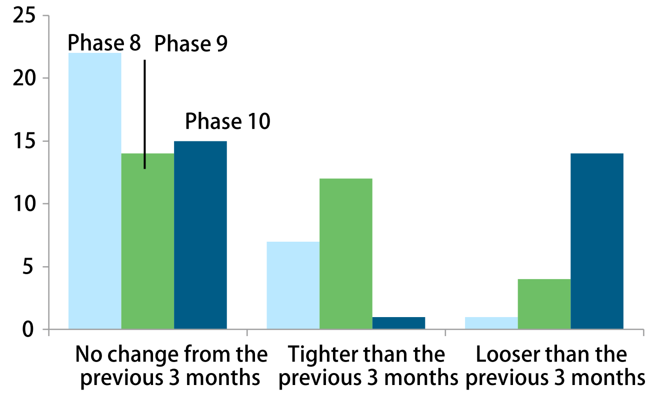
- Funding access: Most of our developers said they were finding it more difficult to access funding from both of these sources. 26 reported that it was harder to obtain bank loans now than three months earlier. For trust loans, 10 said the situation was roughly the same, while 19 reported that access had become more difficult.
- Funding costs: Costs are rising, more obviously for bank loans (interest rate of 12.3% in the latest survey, up from

**Figure 7: How you would describe the change in local developers' cash position in the past 3 months?**




Source: Standard Chartered Research

**Figure 8: How do you expect the central government's policy stance to evolve in the next 3 months?**




Source: Standard Chartered Research

8.7% in Phases 8 and 9). Trust loans are still expensive, at around 17.6% .

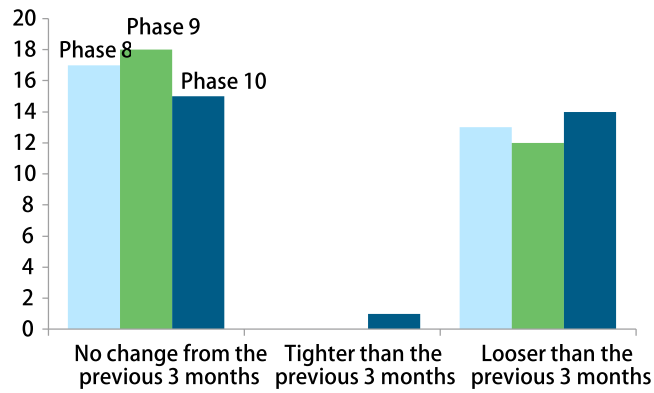
- Potential defaults: 18 of our developers expect a few more defaults on trust loans to developers, and expect these to be more common than trust loan defaults. Over half of our respondents believe that bank loans are unlikely to go bad, but they clearly see risks rising We also asked about mortgages extended to buyers of our developers' projects. The People's Bank of China (PBoC) recently asked commercial banks to extend more loans to, and accelerate mortgage approvals, for first-home buyers. This does not appear to have translated into change on the ground. 23 of our developers said they did not feel banks had eased. Banks charge mortgage rates of about 6.7% to first-home buyers and 7.3% to second-home buyers, according to our respondents. How long it takes to get a mortgage application approved remains a subject of debate. There are media reports of such approvals taking 12+ months, but our developers report that the process usually takes around one to two months.

## Policy expectations

The developers we surveyed expect further policy loosening. Beijing's rhetoric has changed: the central government now has a greater tolerance for the easing of purchase restrictions by cities. 14 of our developers expect an even looser policy stance in the near future, compared with four in Phase 9, and 15 expect no change (Figure 8). If policy is kept unchanged, most expect a continued mild price correction (up to 10%) and a few local developers to go bust.

15 cities have officially confirmed that they will abolish or loosen purchase restrictions (Hohhot, Jinan, Suzhou, Nanning, Haikou, Xi'an, Wuxi, Shijiazhuang, Hangzhou, Xuzhou, Wenzhou, Ningbo, Qingdao, Hefei, Jinhua). Some other cities have announced other loosening measures, including adjustments to mortgage loans, tax

**Figure 9: How do you expect the local government's policy stance to evolve in the next 3 months?**




Source: Standard Chartered Research

subsidies, hukouhousehold registration policies, and the usage of housing provident funds. Our developers fell into two camps on local governments' policy stance – half think they will loosen, and half think they will not (Figure 9). Most believe that loosening at the local level is not very effective.

How will the government loosen policy? Most likely through easier access to bank loans, according to our developers. Further adjustments to purchase restrictions are also expected. Half of our respondents expect a sustainable improvement in sales in H1-2015. Six are more optimistic and see the market bottoming out at end this year, while 10 are more bearish and expect market stabilisation to take longer.

(Authors: from Standard Chartered Bank)

Case Study

# Disputes Resolved Across Pacific Ocean

## —— Coordination for Goods Quality Disputes between Mexican Buyer and Jiangsu Taizhou Company

By Wang Fang


### Case Review

On April 10, 2013, a Mexican company imported from a printed board marker in Taizhou a batch of products worth the value of US$93438. The Mexican company finished custom clearance on July 15 and paid the balance sum US$65,161.48 to the Taizhou company. On July 23, The Mexican side notified the supplier of serious quality problems of the board products: the coating color was different for the same size of board, the cutting of board is in disorder, there was also swollen part and scratches of the board. Next day the Mexican company sent photos and quality reports to the Taizhou company, requiring investigation of the batch of products by QA people and check the unqualified rate. The Taizhou company was highly concerned about the quality compliant and requesting the Mexican side to single out those qualified products first. Both sides made various telephone and e-mail exchanges afterwards. On August 26, both companies' general managers met in an exhibition in Beijing to discuss face-to-face the issue. The Mexican side insisted that the qualification rate was low for the batch of products and required Taizhou company to send personnel to Mexican to pick up qualified products. Taizhou side stated that it was impossible for unqualified rate to exceed 60%, hoping the Mexican or the personnel it could hire to do the selection work. Taizhou company said that as long as the unqualified rate is reasonable, it would bear the costs or compensate with additional products. The discussion was fruitless and ended in disputes.

After the fruitless discussion, the Mexican company found a Chinese trader to communicate with the Taizhou company. The negotiation broke down and both sides threw harsh words to each other. The Chinese trader claimed to "go to court" and Taizhou company did not make any concession.

After serious consideration, the Chinese trader realized that the negotiation could not solve the issue and once both parties go to court, it will be costly, time-consuming and the results will be uncertain. The mediation will be one of the most flexible and cost-effective ways to solve the issue, and more importantly it will allow both parties to fully communicate to find out the best solution to the problem. Therefore the trader turned to the mediation center of CCPIT and China Chamber of International Commerce, seeking to resolve the trade disputes through mediation.

### Mediation Process

The mediation center of CCPIT and China Chamber of International Commerce received the case and studied the materials provided by agents. The center communicated with Taizhou company general manager to understand the focus of disputes. The general manager of Taizhou company understands and trusted the mediation center very much. According to him, the Taizhou company has been registered in origin of certification accreditation, with export goods worth billions of RMB each year certified by CCPIT. Based on such trust and understanding, Taizhou company submitted a summary of the trade disputes to CCPIT very soon. The mediation center invited the general manager of the Taizhou company to attend the mediation, and soon received written confirmation from Taizhou company.

There is no such provision in the contract: In case of any disputes unresolved through bilateral negotiation, the dispute shall be referred to China Trade Promotion Association. However, both sides agreed to resolve the disputes through mediation and the mediation center has officially started operation.

The mediation center first tried to gather more information about the case through telephone, e-mail or other modern communication tools. They quickly understood that the Taizhou company once agreed with Mexican side to send staff to Mexico to pick up the printed board. The Taizhou company changed its decision because they thought it would be too far away to go Mexico and the air ticket fee, local accommodation fee and costs of hiring interpreters will be huge. The value of the container was less than 100,000 USD. After analyzing the costs, the Taizhou company insisted the Mexican side should pick up the products. The Mexican company was concerned that if they send their staff to pick up the qualified products, first the labor cost will be high and second they could not know who shall bear such costs. As claimant of the dispute, how much they could be compensated was still unclear. The Mexican side will have expenditure before gaining income.

The mediation center further contacted both sides to understand the focus of their disputes: the compensation rate and method (pay in cash or replenishment), rather than whether to compensate or not. The mediation center contacted the secretary of the agent and praised the entrepreneurship of the Taizhou company for facing the issue, and cooperating to provide the solution benefiting both sides. The mediation center contacted with Mexican agent and required them to face the quality issue and provide a reasonable compensation rate, rather

than the initial proposal of 180% of the goods value, which is unrealistic.

After several rounds of communication for six months, the mediation center made great breakthrough with both sides reached settlement. The Taizhou company admits of the quality issue and agreed to pay in cash 15% of goods value to the Mexican company through commission contract. Both sides signed the settlement agreement and fulfilled the contract within agreed schedule under the monitor of the mediation center.

## Enlightenment

1. It is necessary to refer the trade disputes to third-party for arbitration as early as possible. Regarding this case, if the Mexican side found it would be difficult to solve the disputes through amicable negotiation, it shall immediately find an agent to turn to China Trade Promotion Association for mediation. The longer the dispute exists, the more difficultit is to be resolved.

2. The strong responsibility of Taizhou company also reminds us of the necessity to do business with Chinese companies with good reputation and credit record. Once there is issue, they will treat the issue with responsibility and righteousness. It will be necessary to investigate the credit and financial record of the potential business partner through third-party legal service agent, before real business is being carried out. This will help reduce risks in international trade.

3. The success of mediation shows its great advantages, such as amicable negotiation, low costs and high flexibility. It saves time and its process applies to parties in international trade. Through dispute mediation, both parties avoid going to court or retaliatory relationships. As the disputes are resolved, their business relationship still remains. The mediation provides more flexibility for companies in the changeable global market.

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



# Grape Conference to Boost Grape Industry

By Liu Xinwei

On July 29, the 5-day 11th International Conference on Grapevine Breeding and Genetics (Grape Conference) was held in Yanqing County of Beijing with two mascots "apu" and "atao" standing at the conference venue.

Held every four years, the Conference has been held for ten times so far. As the world's top-level and most influential academic and technological communication platform for grapevine genetics and breeding, the Conference attracts participants from as many countries as possible. This year the Conference was held in an Asian country — China for the first time, which proves that China's grape breeding and wine making technologies have earned due recognition in the world.

Top-notch grape experts and industrial representatives across the world were present at the Conference to show the latest R&D achievements in terms of grape research and wine making. Personnel for the Conference introduced that this year's academic meeting had solicited 268 papers from 34 countries and regions and the more than 300 participants basically cover all the major grape producers as well as representative experts and scholars from the world's grape industry, including Anne Francois·Adam, famous grape genome scientist and the main contributor of the first grape genome map as well as world-renowned grape breeding experts.

## To elevate Yanqing's international influence and accelerate urban-rural integration

Grape growing is closely related with climate. Due to different climates, grapes in South China are not as sweet as those in North China. Yanqing is located at latitude between 40.2 degrees and 45 degrees along the "golden belt", where many world-renowned wine producing areas such as Bordeaux of France, Napa of the US and Turpan of Xinjiang are situated. Adequate sunshine, big day-night temperature difference and moderate rainfall lay a solid foundation for Yanqing's grape industry.

Yanqing County also boasts of unique superiority in terms of the grape industry and technologies. Over years, Yanqing now possesses the largest grape growing area in Beijing suburb, namely 25,000 mu. Besides, organic grape develops quickly in Yanqing, which has bred several quality grape varieties, such as Red Globe, Rizamat and Black Olympia. The efficient patent technology — planting annually and picking-up in four seasons has helped Yanqing breed cold- and disease-resistant wine grapes and table grapes such as Beihong and

Beimei, which has greatly promoted the development of Yanqing's grape industry.

Holding the Grape Conference is an excellent opportunity for a city to engage in publicity, since present at the Conference were nearly 500 domestic and overseas wineries and wine enterprises as well as experts, scholars, merchants and visitors from many countries and regions. City diplomacy is helpful to enhance understanding and expand cooperation channels by reducing prejudices and conflicts.

With "get together in the Great Wall to close to nature" as slogan, this year's Conference aims to revitalize the grape sector and bring more benefits to the general public with prosperous cities. In order to hold a special and influential world-level conference, Yanqing County has built "one venue one park one belt and four centers": "one venue" means the main venue for the 11th International Conference on Grapevine Breeding and Genetics; "one park" means the World Grape Expo Park; "one belt" means the winery industrial belt; "four centers" means wine trading center, wine quality assessment center, national-level grape R&D and industrial service center and wine engineering training center. Unlike previous years with the adoption of simplex academic meeting format, this year's conference has built World Grape Expo Park, academic conference, wine expo, industrial economic forum and serial activities to present Yanqing's local characteristics and make the academic conference more colorful.

Located in the east of Zhangshanying Town, Yanqing County and built based on 3A-level scenic spot construction requirements, the World Grape Expo Park possesses an area of around 3,000 mu and 1,014 world-level quality grape varieties. These grape varieties come from 48 R&D institutes of 15 countries, which can not only be used for wine brewing and fresh eating but also for color matching and raisin making. It is introduced that as the biggest grape themed park in China, the Grape Park integrates grape variety exhibition, grape picking-up, eco experience, sightseeing, science education and entertainment to become a park boasting the largest number of grape varieties in the world. Once the Park opens to the outside, visitors may choose bicycle riding to watch the process of grape growing and wine making, dine at Beijing's first grape themed restaurant or camp in the 100-mu wetland.

To make full preparation for the Conference, Yanqing has accelerated such infrastructure construction as water supply, electricity, road and communications to upgrade urban supporting facilities and city image and to quicken new urban construction and the urban-rural integration course. In the mean time, the local grape industry has opportunities to upgrade, which will enhance Yanqing's grape industry development and optimize industrial structure. Thus Yanqing's influence will be greatly elevated on the international stage with flourishing local tourism and modern service sector and integrated development will be realized for the primary, secondary and tertiary industries to promote sound and fast economic and social development.

## Overseas experience to support small wineries driving the development of the wine sector

"At present, China's graperies lack enthusiastic skilled workers and mature grapevines, therefore patience is needed for China's wine sector," commented Rob Geddes MW, Australian individual wine critic, at the academic conference.

However, at this year's Grape Conference, we can feel that China's wine is changing positively. The domestic wine enterprises are shifting from profit maximizing to "making better and refined" with more tasty wines exhibited.

China's wine sector is turning to cluster development among wineries, which means wineries in the same production area will jointly develop brands and tap into local characteristics to promote the development of the whole wine industry in the production area, such as Yanhuai Hegu production area, Penglai production area, Ningxia Helanshan production area and Xinjiang production area.

Helanshan wine represents the top level among the domestic wines and many wineries in this year's exhibition no longer merely exhibited the traditional French techniques, which were highly praised in the domestic wine domain. Instead, winemakers across the world were invited to present a fresh flavor. Penglai's wines such as Guirenxiang and Xiaduoli are fruity with several layers, refreshing and harmonious, which represent the typical coastal wine characteristics. Fruity clarets including Pinlizhu and Maselan taste soft, thick and elegant.

Classics no longer only belong to the "traditional word" and the concept to make refined wines is helping the Chinese wines develop quickly. The Chinese wines are expected to better integrate into the world wine culture so that the world will have the chance to taste the homegrown wines.


# Promising Textile Export to the Russia

By Liu Xinwei

Hosted by Russian Federation Textile Enterprise Alliance, Textillegprom is the largest professional textile expo in Russian Federation and even in East Europe. In recent years, Russia's textile market has kept expanding with improving product quality and mature trading modes. Since the year of 2002, many domestic enterprises have attended the expo with fruitful results, and the expo has become one of the major channels for the domestic enterprises to launch into the Russian market.

China Council for the Promotion of International Trade (CCPIT) will lead a group to attend Textillegprom held in the All-Russia Exhibition Center located in Moscow during September 23-26.

## China is the biggest overseas exhibition group

CCPIT led a group to attend the expo for the third time last year with 97 exhibition booths in an area of 800 sq m. The group with 147 people in total was made up by 70 manufacturing enterprises and foreign trade companies from Zhejiang, Guangdong, Jiangsu, Shandong, Fujian and Anhui. Products exhibited include textiles and garment accessories, home textiles, indoor decorations, underwear and knitwear, fur products, children products and textile raw materials.

The history for the Chinese textile enterprises to enter the Russian market could be dated back to 2007, when CCPIT spared great efforts selecting exhibitor candidates and differentiating exhibited product categories. At the same time, CCPIT also negotiated with the expo sponsor for arranging the popular booths in the important exhibition halls for the Chinese exhibitors. At this year's expo, as the biggest overseas exhibition group, China will improve the level of design and decoration to build uniform exhibition halls. And the Chinese pavilion will have an elevated image to earn better publicity effect.

Statistics shows that the Chinese exhibitors gave highly appreciation on efforts made by CCPIT, who adopted the same logo and uniform building style for the Chinese pavilion to elevate the overall image of the Chinese enterprises effectively.

## Russian textile market promises great potential

Serving as an important market for Chinese enterprises to export textile and garment, the Russian market is also of great significance for China to diversify export markets and to implement the "go global" strategy. In bilateral trade, textile and garment always dominate a big share and boast of a regular customer base. With inadequate raw materials and backward techniques, Russia couldn't produce sufficient garment and other textile products to meet demands in the local market. Textile and garment is one of China's advantageous traditional export domains and it is highly complementary to the Russian market. Therefore, the domestic textile and garment domain is quite promising with tremendous potential.

As a bulk commodity in Russian-Sino trade, textile and garment accounts for 60% in Russia's imports from China. In the past decade, Russia has maintained a rapid growth in imports of textile and garment from China. As for the commodity structure of China's textile and garment exports to Russia, chemical fiber garment accounts for the biggest share, followed by cotton garment, fur garment and knitwear.

As of 2012, Russia imported from China textile and raw materials worth USD 5.94 billion, up 49.6% year-on-year and ranking 2nd in Russia's imports from China; shoes & boots and umbrellas USD 3.92 billion, up 75.4% year-on-year and ranking 4th in Russia's imports from China.

China's textile and garment export to Russia is normally conducted via direct trading or selling and consignment. Most Chinese manufacturers directly register companies or set up clothing stores in Russia to engage in retail & wholesale or processing businesses. Beijing Yabaolu market serves as a bridgehead for Russia and China to conduct textile and garment trading, where receives around 60,000 Russian businessmen or company purchasers every year.

Russia is regarded by some authoritative economists as the "world's last virgin land for world business". As the Russian economy develops fast and people's livelihood keeps improving, more and more countries begin to pay attention to the promising Russian market. The Russian market has seen big influx of products from such countries as Japan, Korea, Turkey, Vietnam and India, which compete with the Chinese products. But China's textile products enjoy superiority in terms of prices, and quality textile and garment at reasonable prices can be afforded by the mid- and low-income Russian families. Therefore, China's textile and garment is still promising in the Russian market.

# China's Outdoor Industry Surges

By Zhu Zijun

## Annual growth of over 10%

As a young college lecturer in Beijing, Ms. Zhou would go outside every weekend. As a frequent visitor of major outdoor activity forum, she likes relaxing herself with travelers with the same hobbies.

The increasing number of outdoor activity aficionados like Ms. Zhou has stimulated the growth of Chinese outdoor industry. According to the survey report provided by COA (China Outdoor Association) at the Ninth Asian Outdoor 2014, the 2013 Chinese outdoor market scaled up by 12.9% compared with 2012, reaching 38.8 billion RMB. The market value of 2013 core outdoor market reached 15.38 billion RMB, up by 16.2% from 2012.

The number of core outdoor brands reached 693, up by 12.3% from 2012. The number of international brands was 409, 40 more than 2012; the number of domestic brands was 284, up by 36 from 2012. The proportion of clothes, shoes and bags did not experience great change.

Ludwig Myers, manage marketing and member of the Board of Directors of Messe Friedrichshafen GMBH and Knaught Jaeger, chairman of Beijing German-Messe Exhibition Consulting Co., Ltd. told *China's Foreign Trade* they are both optimistic about China's outdoor market.

"After market fluctuation in 2011 and 2012, the outdoor brands are optimistic about the industry. The market was gloomy in the past two years and brand competitions became more fierce. The sales increase speed has surpassed the market demands. Since 2013, the market channel and market shares have been more balanced," Jaeger said.

COA estimates that in the next 5-10 years, the core outdoor industry will have an average growth rate of 15%, or at least 12%. Jaeger said that compared with 1-2% of European outdoor market, Chinese outdoor market growth is still stunning. The Chinese market is very likely to replace Europe to be the second largest outdoor market in the world.

However, China's outdoor industry market still has large potential to explore. The survey shows that there are about 130 million people engaging in outdoor activities, including hiking and other leisure activities. According to China Mountaineering Association, about 60 million Chinese people have participated in professional outdoor activities, including mountain climbing, rock climbing, adventure and long hiking. Comparatively, there are 80 million German people engaged in outdoor activities, accounting for 50% of German population. However, in China the percentage of outdoor participants of the whole population is less than 10%.


## Reshuffling facing the industry

There are potential risks to the high-growing industry. Jaeger mentioned overcapacity issue when receiving the interview.

The overcapacity is reflected from the number of outdoor stores. The survey shows that the number of stores increased rapidly, reaching 12,420 in 2013. The number of stores selling single brand products was 8,742 and number of selling multiple brand products was 3,678. However, the speed of growth slowed down, from 43.1% in 2012 to 11.9% in 2013.

"A lot of companies have eyed the profits of outdoor industry and rushed into the competitions. After unregulated competition in the early period, now the market has met a watershed of real competition," said Zhong Chengzhan, general manager of Maya Travel Gear Co., Ltd.

Xue Shengwen, senior researcher and consultant of Shenzhen-based CIConsulting, said that the recent years have witnessed rapid growth of domestic outdoor industry, but now the speed has slowed down, facing a "bottleneck period". This is akin to the sports product industry. The domestic outdoor industry will face a "reshuffling period", with small and medium-sized players to be wiped out. The market will become more concentrated and regulated.

Xue added that the overcapacity issue is the result of the barbaric growth of outdoor companies, which will bring negative impacts on the industry. To resolve the overcapacity issue, first it is necessary to wipe out those weak and uncompetitive companies, and second the companies shall reduce output and pay more attention to the product quality.

Companies have their own way of dealing with the changed competition environment. "We are nor afraid of competition. We will do our products professionally," said Zhong.

# Down to Earth for Good Reputation

By Alice Yang

She knows what she wants, and she is willing to work hard and strives down to earth. She has a clear way to success and knows the root of development. She has personality, but hides her light under a bushel. She brings a logistic company a new development model and new vitality. She is Miao Wang, Technical Director of Shanghai Ji Jie Logistics Co., Ltd. *China's Foreign Trade* magazine had an exclusive interview with her.

**Q: *What are the problems to be solved urgently in China's logistics industry?***

**A:** First of all, we need to improve the infrastructures in China's logistics and transportation industry; good facility is a prerequisite for transport efficiency and development.

Secondly, China's logistics industry is still lack of senior talents, and low personnel quality is a common problem of many logistics companies. We can solve the problem of lack of logistics talents through the effective use of IT and software technology, operating depending on the distribution of different modes of transport (such as highway and railway), providing customers with a set of complete supply chain solutions, and providing added value for service.

Finally, the most important and efficient logistics is a chain effect with a complete infrastructure and combination of actions of different aspects in transportation. The domestic logistics enterprises need to think about how to lubricate the chain for the result of the smooth and efficient operation of all aspects.

**Q: *You have been working for many different companies, departments and positions. What have you learned from all these years' experience?***

**A:** When I served as the technical director for the first time, I encountered some difficulties. I found that a lot of theories learned before and some of the techniques learned from others didn't work, in fact, didn't really internalize, and I was poor in utilizing them. I had no clue about how to lead a good team and staff and no one would tell me what I should do. Looking back on these years, I did only one thing: to observe the environment objectively and rationally analyze where Shanghai Ji Jie situates and what our goal is.

With the two targets, I divided them into several steps and had them done. I spent about half a year in helping Ji Jie R&D Center create technical platform architecture and a new logistics management system, so as to achieve mobility management during transport. And fortunately, it works.

**Q: *Shanghai Ji Jie enjoys a high reputation in the industry. Can you introduce its logistics system you created?***

**A:** The new logistics management system developed by us can be used to monitor the data memory effectively and securely, getting the real-time information about dynamic logistics vehicles, and tracking and positioning the goods accurately. The advantage of this system is that it has given a set of industry solutions according to the logistics industry characteristics and logistics business.

In the site, you can manage the logistics vehicles based on real-time monitoring devices in logistics sites and logistics vehicle-mounted real-time monitoring devices; a logistics tracking and positioning terminal device can be used for managing the driving directions and the routes of the logistics vehicles in the whole driving process of the logistics vehicles, supervising the security and punctuality of goods, and an alarm can be given for vehicle yaw.

We also developed a smart logistics vehicle fuel monitoring system, logistics transit containers, split-screen view and other new technologies, carrying out real-time monitoring by technological means, so that mobile management is no longer out of reach.

**Q: *What's the plan for your and Ji Jie's future development?***

**A:** Shanghai Ji Jie Logistics is a new logistics enterprise focusing on market and clients. In the future, I will lead the team of Ji Jie R&D Center to comply with the development of the market, actively improve and optimize the logistics technologies and systems according to the needs of clients, and provide clients with higher-quality service by more efficient allocation of vehicles, more timely information feedback, and more punctual delivery of goods.

# More Healthier
## Rich Chinese

By Guo Yan

Although China's GDP showed a steady trend of 7.7% growth last year, the dollar millionaires in China only increased by 3.6% to 2.9 million individuals. Super rich Chinese, defined as those with assets of over CNY 100 million, increased by 4%, to 67,000 million individuals. The Hurun Research Institute predicts that the dollar millionaires in China could reach 3.35 million within three years.

China Spiritual Investments White Paper 2014 shows Chinese high net worth individuals (HNWIs)' attitudes towards their spiritual and physical health. They exercise 3 hours a week. Reading and executive education are most popular forms of continuous learning, with reading taking up 10 hours a week. Hurun Report chairman and chief researcher, Rupert Hoogewerf, said,"Chinese millionaires are setting aside more time than I expected towards reading and learning, as well as exercise. "

The Industrial Bank and Hurun Report jointly released the China Spiritual Investments White Paper 2014. The 60-page report sets out the number of HNWIs, together with an analysis of their spiritual investment preferences and trends, based on the results of a survey of 1019 dollar millionaires from around the country. This is the third year Hurun Report and the Industrial Bank have released a report on the size of the Chinese luxury consumer market, analyzing the number of dollar millionaires in China and number of super-rich, defined as individuals with personal wealth of CNY 100 million (equivalent to US$16 million).

Jogging is the most popular sport, followed by badminton and swimming.

**Table: HNWIs in China**

| Rank | Region | Dollar Millionaires | National Share | Year on year Increase |
|---|---|---|---|---|
| 1 | Beijing | 490,000 | 16.9% | 15,000 |
| 2 | Guangdong | 486,000 | 16.8% | 17,000 |
| 3 | Shanghai | 420,000 | 14.5% | 30,000 |
| 4 | Zhejiang | 379,900 | 13.1% | 4,900 |
| 5 | Jiangsu | 216,000 | 7.5% | 8,000 |
| 6 | Shandong | 111,000 | 3.8% | 6,000 |
| 7 | Fujian | 109,000 | 3.8% | 2,000 |
| 8 | Liaoning | 79,000 | 2.7% | -1,000 |
| 9 | Sichuan | 71,300 | 2.5% | 2,800 |
| 10 | Tianjin | 51,400 | 1.8% | 3,900 |
| | Others | 486,400 | 16.8% | / |
| | **Total** | **2,900,000** | **100%** | **3.6%** |

Source: Hurun Research Institute

Xue Ruifeng, Industrial Bank Private Banking Department General Manager, said, "As these are growing concerns among the high-net worth crowd, understanding what drives passion allows private banks to gain a deeper understanding of investment demand. We are proud to put out this white paper with the Hurun Report, the authority when it comes to the Chinese luxury consumer."

Beijing remains home to the most Chinese dollar millionaires with 16.9% followed by 16.8% in Guangdong and 14.5% in Shanghai.

Major spiritual investments were made in health, travel and education, followed by social responsibility, insurance, and religion. Overall satisfaction level scored 75 points, while the richest 10% scored a higher level of satisfaction. Top 3 hobbies are fine cuisine, travel and sports.

Health satisfaction scored 79 points; healthy diet and exercise are the main methods of managing health. Jogging is the most popular sport, followed by badminton and swimming. Exercise time is average 3 hours per week. 80% have a medical examination once a year. Only 14% have one every six months, while over 1/4 of the richest 10% have a checkup every six months.

Over half have travelled overseas at least once this past year, spending an average of CNY 64,000.

Reading was viewed as the best way to self-educate. On average, they read 10 hours per week, while richest 10% read 15 hours. Training courses such as MBA/EMBA were viewed as the second largest form of self-education, followed by attending exhibitions and participating in forums and seminars.

30% plan to send their children to study abroad, while only 10% said they would not. 60% stated they will analyze the situation before deciding.

Environmental protection is considered a higher priority than charity with 87% dissatisfied with the pollution.

3/4 purchased insurance for themselves and their families, with an average annual premium of CNY 13,000.

# Mobile Games to Become a New Growth Drive for China's Games Industry

By Lynn Yu

Alibaba Group is to invest USD 120 million into the US mobile games developer kabam with a strategic partnership agreement nailed down to launch kabam's popular games in China, reported Reuters on August 1. It is learned that such games as Kingdoms of Camelot: Battle for the North, The Hobbit Kingdoms of Middleearth, Fast & Furious 6: The Game and Dragons of Atlantis: Heirs are to be released in the Chinese market. By this latest investment initiative in the US, Alibaba aims to take a share in the world's largest Internet market. Alliance with Alibaba may bring quality resources and release channels to kabam. For instance, Alibaba's mobile platforms including mobile taobao and laiwang will enable games to swipe over the Asian market, said kabam's CEO Zhou Kaiwen.

This year's China's Games Industry Report (semi-annual report) shows that the total revenue from mobile games in the first half of 2014 hit a record high of RMB 12.52 billion, up 394.9% year-on-year.

According to Forecast and Analysis on China's Games Market during 2014-2018 published by IDC, in 2013 the Chinese games market (incl. online PC games market, PC singe-player games market and mobile games market) registered a real sales volume of RMB 83.17 billion, up 38.0% year-on-year. The Chinese games market is expected to maintain steady growth at a compound growth rate of 23.5% during 2014-2018.

Client online games account for a market share of 64.5%, web online games 15.4%, mobile games 13.5%, social games 6.5% and singe-player games 0.1%. Mobile games have replaced web games to become one major force driving the domestic games industry.

Based on the industrial development as of 2013, mobile games have become one major force to drive the Chinese games industry. First, mobile games market reaped a doubled real sales revenue at a higher growth rate than previous years. Second, products create greater profitability with record high revenue and homegrown mobile games begin to top the iOS app store's bestseller list. Third, there emerge more profitable products and an increasing number of homegrown mobile games are enlisted in the iOS app store's top 100 bestsellers for quite a long period.

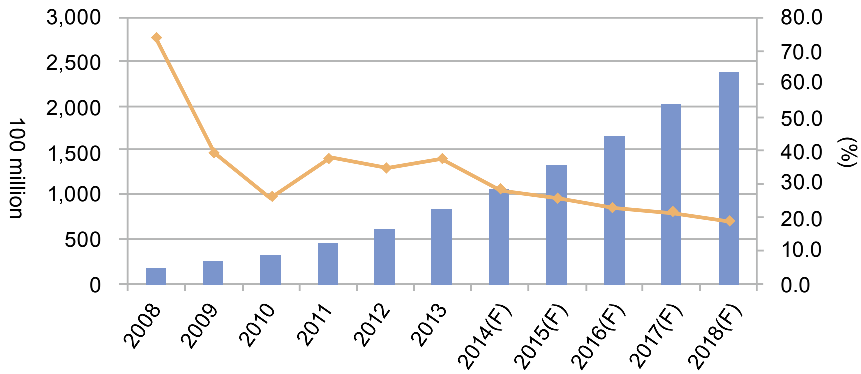
In the mean time, it is much easier for the homegrown games to go global. In 2013, the homegrown online games reaped a sales revenue of USD 1.82 billion in the overseas market, up 219.3% year-on-year. First, the total export volume keeps expanding; second, more products are exported; third, products are exported to more countries, including new emerging countries. Among China's innovated games exported to the overseas market in 2013, the web games and mobile games presented good performance. In the upcoming years, China's innovated games will maintain an upward trend for being exported abroad, which is greatly supported by the promising global mobile games market.

From the perspective of future industrial trend, IDC holds that the domestic games market will present the following characteristics:

## Mobile Internet matters a lot

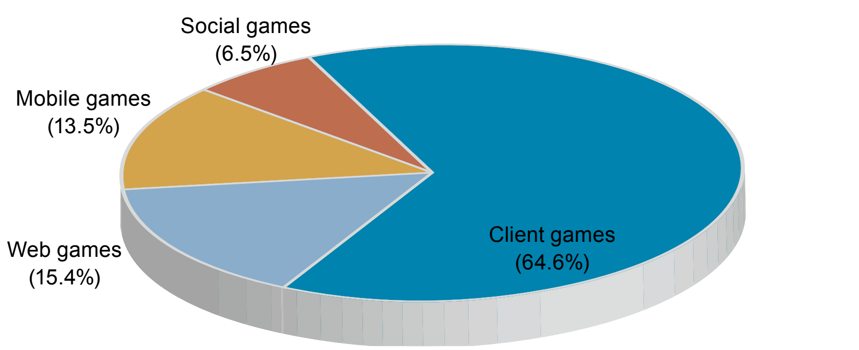
The fast-developing mobile Internet brings about a highly potential mobile games market. Most Chinese

**Figure1: Real sales volume and growth rate of China's games Market (2008-2018)**




Source: Forecast and Analysis on China's Games Market during 2014-2018 by IDC

**Figure 2: Ratio of segment revenue in China's games industry (2013)**




Source: Forecast and Analysis on China's Games Market during 2014-2018 by IDC

games enterprises possess mobile Internet. First, most client games enterprises and web games enterprises have nudged into the mobile games sector or have launched mobile games products; second, some games enterprises have launched client online games/web games and mobile games based on the same IP; third, some enterprises specialized in client games and web games have fully turned into mobile games.

## Platform model to centralize games industry

Platforms have impacted the development of mobile games and web games. On the one hand, platforms integrate Internet user resources with games R&D resources. The Internet user platform giants such as Tencent, Baidu and 360 jointly operate with web games and mobile games developers by combining user base's data monitoring and games development. Deeply tapping into user's needs and real-time feedback of user data are helpful for developers to optimize products and quickly expand game player coverage. On the other hand, platforms function to integrate resources. Via investments and M&A of enterprises along the upstream and downstream industrial chains as well as investments and M&A of domestic and overseas games enterprises, such large games enterprises as Perfect World, Tencent and Shanda have integrated global R&D with operation resources and combined various game player resources including client, web and mobile games in a bid to make the games industry more centralized.

## Entertainment diversity brings opportunities for games

Revolution of Internet technologies enables television, computer, smartphone, tablet PC, reader and wearable devices to serve as carriers for new-type entertainment and creates tremendous business opportunities in the digital entertainment sector. Opportunities cover the following aspects: first, richer game content leads to more business opportunities in the games sector; second, the games industry including new-type hardware devices becomes more mature and creates more opportunities along the upstream and downstream; third, entertainment integrates with video as well as film and television to become more diverse and brings more opportunities to other sectors.

## Online and offline interaction brings new growth drive

Online and offline interaction has replaced the simple offline brand publicity initiative in the past few years. Online and offline activities are combined through the following approaches: first, the influential online competition is supplemented by offline competition (e.g., DOTA2); second, offline competition is so influential to greatly stimulate online games (e.g., international chess competition); third, the influential and well-known activities such as the Voice of China and NBA are fully made use of; fourth, cross-sector cooperation continue to develop.

"In short, industrial capital and relevant enterprises jointly drive the domestic games market to maintain steady growth. Meanwhile, as an important support for the culture industry, the Chinese games industry increasingly pushes the development of such domains as film and television, cartoon, press and technological innovation and the industry has turned into a new growth drive for future industries," added Jiang Jialin, senior analyst from IDC.

# Social Media Plays an Increasingly Important Role

By Zhu Zijun

Since social media is playing an increasing important role in people's private and professional lives, companies need to open themselves to this new reality and adopt new business strategies , according to a new publication by Roland Berger Strategy Consultants and the University of Münster's Digitalization Think:Lab.

The report, entitled "Socialize your business: Ten things executives should know about digitalization and social media", showed the features and functions of social media. The ten things are as follows:

— Social media is not hype but socioeconomic reality. As the cornerstone of Web 2.0, social media now accounts for one-fourth of online use. The effects also extend to the business world, where middlemen are being replaced by communities of users.

— Social media is power – Inaction can be fatal. Falling behind competitors and suffering from negative buzz are just the beginning of your troubles: Inaction can set off an irrevocable shift in the balance of power between consumer and company.

— Social media is a key capability. Social media enables all people, processes and systems in a company to deal with customers and knowledge, but only 17% of companies actually use social media strategically.

— Social media enables new forms of interacting with customers. The one-on-one dialog social media allows with consumers goes beyond simple product advertising: It's about listening and sharing – and then listening some more!

— Social media influences purchasing behavior – directly and to a greater extent indirectly. An experiment by Facebook showed that social media only triggered 1% of Black Friday online sales last year, but an incredible 90% of all purchasing decisions are influenced by social interaction.

— Social media is driving a fundamental change in brand management. Brand managers must accept incomplete control of the branding process and focus on integrating social media's trove of data. Forego micromanagement and aim to create "a brand like a friend."

— Social media revolutionizes collaboration in companies. Social media removes the transaction costs of internal collaboration, allowing employees to share, analyze, create and evaluate together – and it leads to a 25% increase in productivity.

— Social media by no means

guarantees sure-fire success. The advantages of social media, such as trust, collaboration, self regulation and creativity, are not to be taken for granted – communities require clear rules and enough space to grow organically.

— Social media follows its own rules. The application of traditional KPIs is a tall and sometimes misguided order for social media. Think influence instead of control; think working within a comfort zone instead of micromanagement.

— Social media is a comprehensive organizational principle. Social media is not merely a marketing channel – it must be embedded in the corporate strategy to take full effect: making the company more sensitive to change, establishing a stronger identity, enhancing leadership through trust and bringing diversity to monolithic organizations.

"Social media opens up new ways of communicating with employees, customers and suppliers. But it is far more than just a marketing tool," said Egbert Wege, Partner at Roland Berger Strategy Consultants.

"Open dialog and co-creative content enrichment spawn fresh ideas for new products and lines of business. Yet social media also presents an organizational challenge and must therefore be deeply rooted in corporate strategy, demanding a change in mindset that few companies have yet mastered," he added.

The report found that collecting and analyzing customer data, opinions and recommendations on the Internet enables firms to engage in dialog with customers and sharpen their focus on their needs. This allows customers' ideas and preferences themselves to actively contribute to improving products and brands.

The benefits of loyal customer groups and regular customer information can be achieved only if sales and marketing units adopt a carefully coordinated 360-degree strategy: Messages to customers must be harmonized, but still individually tailored at all touch points if the recipients are to be encouraged to spread the word via their own personal networks.

Social media opens up new ways of communicating with employees, customers and suppliers.

Influential, well-connected customers in particular are invaluable as company ambassadors. Information gleaned from social media already shapes fully 6% of purchase decisions; and the figure rises to nearly 10% for choices of restaurants and media products. This form of influence is especially powerful if it is aligned with the appropriate stage in the purchase process, from demand creation to the after-sales phase.

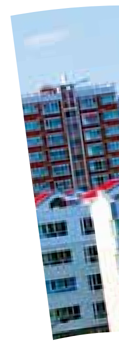
The report also noted that social networks also help companies drive innovation more effectively and improve their business processes. They provide an informal forum for the joint development of innovative ideas and approaches across hierarchical divides within the company.

"Having said that, if you want to implement a social media strategy successfully, a culture change across the entire organization is indispensable," said Thorsten Hennig-Thurau, Professor of Marketing at the University of Münster. "That is why top management itself should drive this strategy, anchoring it firmly in the company's overall strategy."

The researches of the report advised firms to measure the actual quantitative and qualitative success of their social media strategy. The defined parameters should align with corporate goals and must make due provision for factors such as the strength and impact of customer engagement.

# Small-city MACs Drive China's Consumption Growth

By Richard Zhu



After dropping to a five-year low in January and February, total retail-sales growth increased in May to 12.5 percent.

The middle-class and affluent consumers (MACs) in China's small cities are driving China's consumption growth to some extent while those in big cities are still important, according to a recent report by The Boston Consulting Group (BCG).

The report, titled "Chinese Consumers: Increasingly Optimistic but Also Realistic," offers insights into the way Chinese consumers plan to spend as the country's economy stabilizes.

## Consumption growth is improving

Last year, China experienced a decline in GDP growth, along with a steep drop in consumer sentiment exacerbated by an anticorruption campaign that dampened the intention to spend in lower-tier cities in particular. This year, although business activity was slow in the first quarter, the economy has shown signs of stabilizing, with improved consumption growth. After dropping to a five-year low in January and February, total retail-sales growth increased in May to 12.5 percent, its fastest pace since December of 2013.

BCG's Center for Consumer and Customer Insight (CCCI) surveyed 1,000 people in 12 cities. It applied a unique, integrated approach that combines quantitative and qualitative consumer research with a deep understanding of business strategy and competitive dynamics. It found that consumers feel more optimistic, while also accepting that economic growth is leveling off. The number of people who believe the economy will improve remains the same as last year. But general consumer sentiment and levels of security are on the upswing.

As a result, the intention to spend has recovered significantly as well. This year, 31 percent of consumers plan to increase their discretionary spending over the next 12 months. That's only 4 percentage points more than last year and quite a bit less than the high of 38 percent in 2012, but this year's results mean that the number of consumers who intend to spend more once again exceeds the number who intend to spend less.

"Last year was the first time in recent history that more Chinese consumers wanted to cut spending than to increase it. This year, the balance has shifted back," said Youchi Kuo, an expert principal at BCG and a coauthor of the report.

Chinese consumer confidence rebounded for a second month in July on a month-on-month basis amid an upward trend for economic growth, according to the Bankcard Consumer Confidence Index (BCCI), compiled by Xinhua News Agency and China UnionPay, a national bank card association. It edged up 0.06 point from June to 85.33 points in July. A higher reading in the index shows a boost in consumers' desire to spend.

The BCCI forecast that consumer confidence may continue to rise on an upward trend for economic growth in the next few months, as the government has adopted a raft of pro-growth measures, including stepping up construction of affordable housing and infrastructure building, Xinhua reported.

## Small-City MACs bring optimism

The report showed that the recovery is playing out differently in different parts of the country. In lower-tier cities, the intention to spend among middle-class and affluent consumers (MACs) increased 8 percentage points from last year, from 26 percent to 34 percent. (MACs are consumers with more than RMB 7,200 per month in income.) But in higher-tier cities, the intention to spend among these consumers deteriorated by 3 percentage points from last year and by 7 percentage points over the past three years. MACs from small cities, then, are responsible for the overall improvement in consumer sentiment and the intention to spend.

There are several reasons for this trend. Last year, small-city MACs took the biggest hit from a government anticorruption campaign that reduced subsidies and discretionary spending among officials and business people. Because MACs in small cities are more likely than those in large cities to be entrepreneurs, civil servants, and employees of small and medium-size enterprises, they are more sensitive to such policy changes.

"However, people have adjusted, and sentiment has returned to previous levels," said Jeff Walters, a BCG partner and report coauthor.

Small-city MACs also live more carefree lives than their counterparts in large cities. While respondents to our survey from all geographic areas said they are under less stress, feel less anxiety about the future, and are less worried about losing their jobs than they were last year, rebounds were far stronger among MACs in small cities. For example, 32 percent of big-city MACs said they experience a great deal of stress in their lives, compared with 21 percent of small-city MACs. And small-city MACs are not only less anxious than their big-city counterparts but also show a far more pronounced change from last year. Reports of high stress were about equal for both groups in 2013 (40 percent and 44 percent, respectively, for big-city and small-city MACs). Thus, the number of small-city MACs who feel stressed about life fell by 23 percentage points this year, compared with an 8 percentage-point drop for big-city MACs. The report found a similar dynamic in people's anxiety about the future and worries about job loss: less concern among small-city MACs and a more pronounced reduction from last year.

Small-city MACs are more optimistic about the future, and their attitudes toward consumption show it. In the survey, 66 percent of respondents agreed that "every year, there are more things I want to buy," representing a 6 percentage-point increase from last year. By contrast, only 57 percent of big-city MACs agreed with that statement, representing a drop of 2 percentage points from last year.

## Big-City MACs are cautious

In the midst of the good news about small-city MACs, it should not be forgotten that big-city MACs are still important, representing more than half of today's total MAC population. The intention to spend has not dropped drastically among these consumers, but they are cautious. And the reasons for their caution have changed. All this has implications for where and how brands should concentrate their efforts in different categories and locations.

According to the report, last year, big-city MACs saved primarily in order to build a buffer for the future. This year, that sense of caution has declined by 14 percentage points, dropping to number five on the list of reasons to save (it was at number two a year ago). Now big-city MACs are saving for big purchases: 39 percent of our respondents said they are saving to buy real estate, 32 percent are saving to pay for their children's education and development, and 28 percent are saving to buy a car.

Big-city MACs are managing their spending more carefully. They're planning to make not only big-ticket purchases but higher quality purchases as well. Among the big-city MACs surveyed this year, 78 percent said that they value quality over quantity, especially in the categories that matter most to them. And they show steady increases in overall intention to trade up: 46 percent plan to trade up this year — 3 percentage points more than last year and 4 percentage points more than in 2012.

However, this increasing intention to trade up does not apply universally in all categories. The report researchers looked at 67 categories of fast-moving consumer goods and found that big-city MACs are focusing their spending on a few high-priority categories. In fact, their willingness to trade up has declined since last year in nearly half the categories we surveyed. In other words, they are becoming more selective, concentrating their spending — and spending more — in fewer categories than in the past.

In contrast, small-city MACs showed a dip in the intention to trade up last year, but this year they returned to the same level as in 2012. These consumers report that they still intend to trade up in most categories. Overall they want to spend more, and they have more money to spend on better quality in a larger number of categories.

In the big-city MACs survey, 78 percent said that they value quality over quantity.

## Tips for brands and retailers

In which categories do big-city MACs want to spend more? The report noted that they are prioritizing baby-related purchases above all, followed by big-ticket purchases like cars and houses, by spending on fresh produce, and by lifestyle spending on such things as travel, home décor, and furniture. In these categories, they're willing to spend more for better quality. In fact, consumers throughout China show a strong willingness to spend in those categories, making the outlook strong for players active in these spaces.

The willingness of big-city MACs to trade up on nonessential items, especially packaged food and beverages and entertainment, has declined. This means

that in higher-tier cities, market growth for brands in those categories will likely slow down, while the market will become more competitive. In this environment, it is essential for brands to differentiate themselves and come up with unique, appealing propositions. Companies will need to work harder to convince consumers to open their wallets.

Nevertheless, strong growth potential remains for nonessential items among small-city MACs, who still view them as priorities. These consumers also show a continually growing desire to trade up in these categories. For example, the report found that the willingness to trade up among big-city MACs declined 2 percentage points for juice and 6 percentage points for sugar confectionary, but rose 12 and 9 percentage points, respectively, among small-city MACs.

It is important for brands and retailers in these categories to expand their footprint and capture the next growth frontier represented by lower-tier cities. Some companies focused on this opportunity have already benefited from the improved consumer sentiment among small-city MACs. For example, the report researchers looked at nine local department stores with a regional focus and broad coverage of smaller cities or counties. Their average growth rate during the first quarter of this year was significantly better than that of their counterparts in top-tier cities: on average, 5 percent compared with 6 percent, a difference of nearly 10 percentage points.


It is essential for brands to differentiate themselves and come up with unique, appealing propositions.

The overall picture is positive. Certainly, consumption-led growth is more volatile than investment-led growth, which China relied on in the past. After all, the spending habits of fickle consumers are more difficult to control than credit and investments in state-owned enterprises. Companies should expect a bumpier road in the years ahead. To stay ahead of the curve, they should closely monitor how consumer sentiment and preferences are changing, and act fast to capture growth opportunities in different consumer segments. But overall, consumers are relaxed and feel secure. Sentiment is improving, and the intention to spend is ticking up.

The following are some key trends worth remembering:

Improvements in consumer sentiment and the intention to spend are primarily driven by MACs in small cities.

The more relaxed lifestyle of small-city MACs and the diminishing short-term impact on consumer sentiment of the government's anticorruption campaign are making these consumers more optimistic about the future.

Big-city MACs are saving for big purchases down the line and in the meantime have become more careful, valuing quality over quantity.

High-priority categories for big-city MACs are baby-related products, cars and houses, fresh produce, and lifestyle categories like travel, home décor, and furniture.

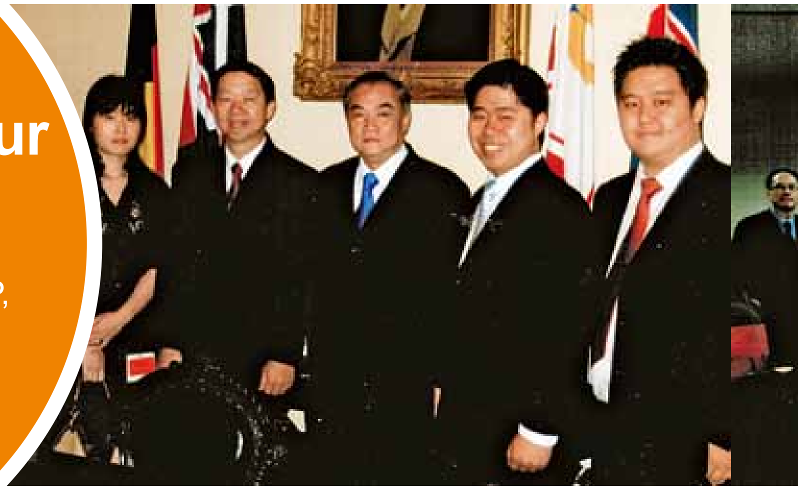
Categories experiencing slower growth in big cities, including packaged food and beverages and entertainment, still show strong potential in small cities.

The report concludes that the road ahead will be bumpier than in the past, but growth opportunities still exist in some consumer segments. To capture them, companies will need to act swiftly in response to the changing dynamics across small and big cities.

# A Tale of a Chinese Entrepreneur in Melbourne

## —— Interview with Yin Choi Lam JP, Justice of the Peace

By Wang Lili



In 1986, with a strong desire for a new venture in Australia, Mr. Yin Choi Lam headed a family of six departing Hong Kong for Melbourne. Through his strenuous efforts, stamina and indomitable courage, he has managed to reap significant achievements in trades such as catering and real estate development.

### Striving for a career

Originating from the Jieyang County, Guangdong Province, Mr. Yin Choi Lam (JP) was born in Saigon (now known as Ho Chi Minh City) of Vietnam. He has been ranked the fourth child among a family of ten siblings.

Mr. Lam's devotion as a businessman was influenced by his late father, Mr. Phach Lam. When Mr. Lam was young, Mr. Phach Lam started single-handedly his own bicycle manufacturing, wholesaling and retailing in Vietnam. In 1975, the regime in Vietnam was taken over by the new government. Mr. Phach Lam continued to make an effort in managing his business under the guidance of the new administration which had attempted repeatedly to defame him as having committed an exploitation of the workers under his employ. Fortunately, his fair treatment and modesty towards the employees had won him their entire support. He was determined to challenge the officials and had ultimately convinced them to give up making the allegations. In order to safeguard his family members, Mr. Phach Lam agreed to compromise by entrusting his operation to the government in exchange for a migration to France. Thus Mr. Phach in the company of other twelve family members left Vietnam for good.

"At the very beginning, life was not that easy in Australia."

In his upbringing, Mr. Lam was able to witness most of the hardship his parents had had encountered in the course of their struggle. In pursuit of the teachings of Confucius, he is well aware of the fact that he is obliged to constantly display and spread the good name of the parents.

In the late 1960s, Mr. Yin Choi Lam went to Hong Kong at the request of his parents to further pursue the study of Chinese traditional culture. Through his unceasing attempts, he had succeeded in obtaining a high diploma in Trade and Business Administration as awarded by the Chu Hai College of Higher Education. After graduation, Mr. Lam kept exploring for opportunities to set up his own business. Because of poor luck, he was not able to establish anything significant.

In 1986, Mr. Lam was driven by his


own courage to seek a new life and had thus embarked on a journey to Australia. He was prepared to start everything from scratch. At this particular point in time, he was merely in possession of a few thousand green backs.

Mr. Lam was a father of four at the time. Should he be unemployed, the Australian government would be ready to take care of the subsistence of his family by providing a pension grant. Yet, he never liked to rely on the government. He is a man of integrity and principle. He has a strong inclination that they should by all means make their own living. He always reaffirmed that reliance on other's kindness and charity it was not the kind of life they were supposed to look for.

At the very beginning, life was not that easy in Australia. Mr. Lam had almost made an attempt on nearly all trades. A typical example of these was that he had to travel in his second-handed vehicle for an annual mileage of over 30,000 kilometres.

With the loyal support of his wife, Mrs. Lam, Mr. Lam decided to open a boutique to offer for sale an exhibit of merchandise ranging from accessories to watches. Because of a constraint in budget, the couple had to do the renovation and decoration of the shop all by themselves. They often worked late hours and left for home at dawn in the hope that they might not cause any interference to their neighbour. After three months of tedious toil, the boutique began its operation. Everything was on the right track because the couple had readily treated their customers fairly.

"Mr. Lam has further diversified into the catering trade and real estate development field."

Commencing 1995, Australia had begun to experience a recession in its economy. After depicting a continuous boom in the market, the property sector had lost its momentum. By virtue of his exceptional knowledge and perception, he was able to identify that the economy was on the verge of rocking the bottom of the cycle. He further realized that people would have a tendency to adjust their consumption pattern. According to Mr. Yin Lam, people would be inclined to spend more on basic necessities. Hence, he made up his mind to close down the boutique and divert his investment to the catering trade.

Concurrently the Lam Group has to see the emergence of its flagship store, the PHO BO GA MEKONG VIETNAM in the heart of Melbourne, the Swanston Street. Superb quality coupled with reasonable pricing have succeeded in winning applause from all walks of life. Throughout the years, PHO BO GA MEKONG VIETNAM has been equated as a cult Chinese menu in the City of Melbourne. Mr. Lam has indeed been proud of this. From his recollection, he always deems it an honour to have a cluster of international film stars like Jackie Chan, Sammo Hung and many, many more dined in the restaurant.

Currently, Mr. Yin Lam has further diversified into the real estate development field. He is proceeding with the construction of a commercial cum residential complex in the heartland of Melbourne that is geared to the need of the first home buyers such


“Like many other overseas Chinese, Mr. Lam has a strong affection for the Motherland.”

as university graduates. The construction is situated in a prime location and is design-oriented. Down payments for same have already surpassed 90%. It is anticipated that the structure will be ready for occupancy in the ensuing three years.

## Reciprocating the community through educational donation

To reciprocate the community at large, Mr. Yin Lam used ten years to formulate an Scholarship scheme for the local tertiary students (The Prize of Excellence). The Scholarship will have entered its 10th year of inception, with an annual prize donation of $10,000 from Mr. Lam per year. Participants' academic as well as community service achievements in the State of Victoria have been used as a yard-stick for gauging their qualification for the Prize. Mr. Yin Lam has no influence over the results. A panel comprising of Professors and academics from the various leading institutions, including the University of Melbourne, RMIT University, Monash University, La Trobe University and Deakin University decide the winners on a fair and square manner.

Throughout these years, Mr. Lam believes that his four children have accomplished a significant contribution towards every progress in the career advancement of the Lam Family Group's enterprise. His children are all business management graduates from the renowned Melburnian institutes such as the Melbourne University and the Royal Melbourne Institute of Technology. In the eye of Mr. Yin Lam, the concerted efforts made by them towards the Scholarship have been impressive.

Mr. Lam is also known to have frequently played an active role in community cultural activities initiated by the Australian Government. In recognition of his zest and dedication, he as thus conferred the title of Justice of the Peace by the State of Victoria in August of 2004.

Like many other overseas Chinese, Mr. Lam has a strong affection for the Motherland. He is devoted to concern for its internal affairs and has no reservation to give a hand. In 2009, he donated ten thousand Australian dollars to the Pingtai City of Fujian Province to facilitate the construction of the Pingtai Strait Bridge. He also made donations to the victims of the quakes in the Wenchuan and Yushu in 2008 and 2010 respectively.

Mr. Yin Lam has, in fact, entrusted the actual operation of most businesses to his children. Virtually, he is in a state of quasi-retirement. That enables him to visit China more frequently and freely.

Whenever he hears remark that education is of no use for it cannot guarantee a job after graduation, he becomes concerned. He believes that through learning, a person can successfully acquire a skill, then a job.

Mr. Lam hopes a country can increase its attention to education. “If we do not have enough time for reading or classes, we may use discs to make up for the discrepancy. In the course of driving, the drivers are free to learn any discipline through listening to discs at their own discretion. In the event of a shortage in instructors, online and/or video training can also serve the purpose. Thus people can easily acquire an additional skill whenever they desire. If different scope of knowledge can be spread in such a convenient manner, China will definitely grow at a much faster tempo.” added Mr. Yin Lam

Mr. Yin Lam is also of the opinion that, nowadays, the status of overseas Chinese has improved a lot in many foreign countries. “Every overseas Chinese is longing to see China growing stronger. Once China has become a world power, we overseas Chinese will feel more encouraging abroad.” said Mr. Yin Lam.

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Beijing Changbaishan International Hotel (formerly known as Jilin Mansion) is a boutique business hotel that located in Beijing, close to Olympic Sports Center (North 3rd Ring), nearby Anhui Bridge. It was opened in August 2008, and redecorated in 2013. Beijing Changbaishan International Hotel is adjacent to the National Conference Center, Beijing National Stadium, National Aquatics Center and Zhongguancun. Its geographical position is superior and the traffic is very convenient. It takes five minutes to the Subways including No. 5 line, No. 10 line, No. 12 line, and Asian Sports Village airport bus station by foot.

北京长白山国际酒店拥有各种不同房型可满足宾客不同层次的需求。酒店拥有多功能厅、及中、小型会议室 11 个，可同时为 450 人的会议提供接待服务。风味各异的餐厅可满足不同客户的口味需求，宴会厅最多可容纳 900 人同时就餐。酒店同时设有 SPA 水疗保健中心、棋牌等康乐场所，带给每位贵宾舒适的休闲享受。

Beijing Changbaishan International Hotel could meet guests' different levels of requirements with different kinds of rooms. The hotel has 11 meeting rooms such as the multi-function hall, the small and middle meeting rooms, which could provide reception service for a conference with 450 persons at the same time. Different flavors of the restaurant could meet the needs of different customer tastes, the banquet hall can accommodate 900 persons dining at the same time. The hotel also offers entertaining places such as SPA hydrotherapy health center, and chess room, making each guest enjoy a comfortable leisure.

CHANGBAISHAN
International Hotel
BEIJING

# The Role of IRDA on Housing Development

By Hai Chao & Lim Jit Lee

## Economic context

The main challenge faced by Iskandar Regional Development Authority (IRDA) of Malaysia in delivery of affordable homes is a strong demand in high-end property.

As reported in 2010, the vacancy rate of housing units at national level was 15%, while the rate of Johor was 15.1% which was over the national level. In Iskandar Malaysia (IM), the rate is approximate 17%, where the total living quarters were excessing the total households of 59,303 units.

The development in IM has attracted investments in nine economic clusters, specifically in manufacturing which has triggered the population growth. Specifically in Johor Bahru Tengah Municipal Council (MPJBT), the total population has dramatically increased from 529,074 in 2010 to 879,841 in June 2013 (≈18% per annum). However, there was a slow increment in total living quarters from 151,978 units in 2010 to 177,654 unit in June 2013 (≈5% per year). The sudden increase in total population has resulted in a shortage of living quarters at around 42,000 units or 19% compared to the market needs.

The attraction of investors into property industry has increased private developers interest to building high-end housing. In addition, the remark from Deputy Minister of Prime Minister Department (DPM) in 2006 has further enhanced developers' interest in building high cost houses:

"It is an area that is identified to be a stimulus to encourage development and investment. For this purpose, planning permission for certain types of development will be given the flexibility or authority without application subject to conditions or limitations specified in the particular scheme for the area."

Flexibility on planning permission has been given to developers, particularly exemption from building affordable homes. The typical case was in MEDINI. When IRDA's officer was asked regards to the special exemption from building affordable housing in MEDINI, he replied, "Exemption comes from the state government. IRDA has no role."

The exemption contradicts the statement by the co-chairman, the Chief Minister (CM) of Johor. He stated in IRDA annual report 2008, "…Public housing programmes, which are a key priority for IM, will provide affordable housing in amenities that meet international standards."

Interestingly, statements even by decision makers are ignored in light of high demand for high cost homes. The action on the ground, of course in line with the approvals by various approving bodies see affordable homes are not the key priority for IM because these homes have minimal or zero returns to IM economic plan.

## Government context

According to Malaysia Plan (RMK)-9, requirement for new houses was to be about 709,400 units, of this total, 90,000 units was allocated for Johor or 12.9% of the total national allocation. The Plan also spelt that, 38.2% of the total should be a combination of low- and low-medium-cost houses. In other word, there should be 34,380 units of low- and low-medium-cost houses constructed in Johor.

At the same time, Syarikat Perumahan Negara Malaysia Berhad (SPNB), who is responsible in implementing Rumah Mampu Milik Programme and the Rumah Mesra Rakyat Programme to ensure those in low income group are able to affordably own comfortable homes, was delegated to build 29,000 low and medium cost houses. In addition, a total of 48,500 low-medium-cost houses were targeted to be built by the private sector throughout Malaysia as part of the Malaysian Government's efforts to increase the construction of low and low-medium-cost houses.

According to the DPM, IRDA will determine the direction, policy and strategy of IDR development. The same statement is found in Act 664.

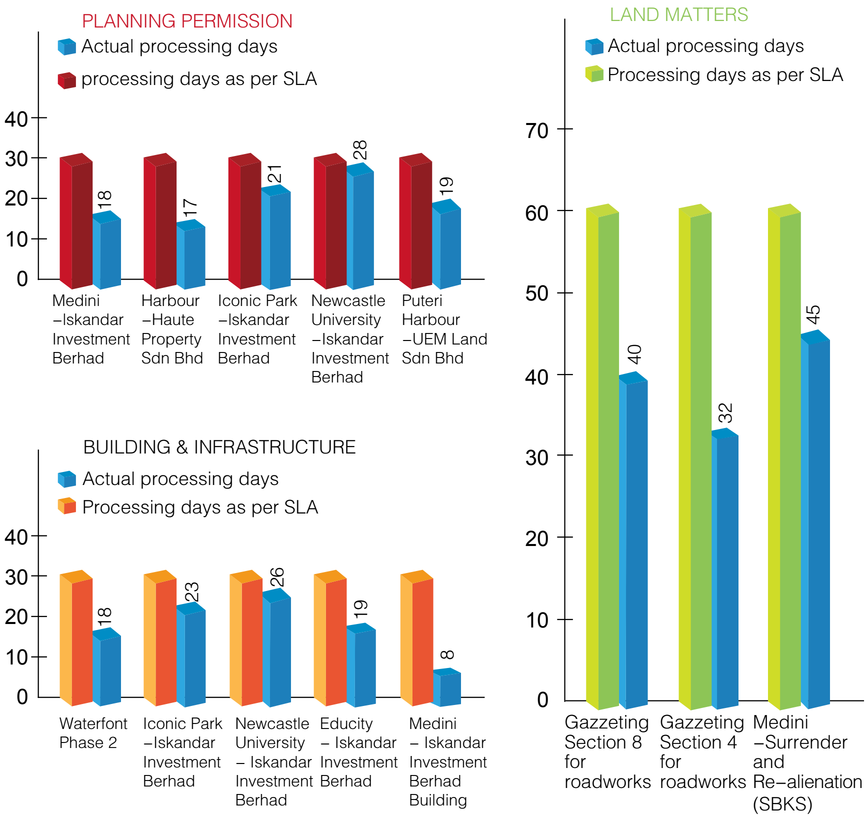
Johor State Assembly Representative also promoted that IRDA plan should also give preference to the income group, saying "In fact, there are possibilities that the authority still be given power to acquire etc….. Because of this the long-term development planning of IM must insure the lower income group should be given affordable housing, and business opportunities."

By right, the role of IRDA is to integrate the Federal and State Policies into CDP as well as local plans, IRDA should have the exact figure on the demand and supply of affordable homes in IM. However, when IRDA's officer was asked regards to the quantity of houses that has been allocated to IM under RMK-9, he replied that housing is under state government and no exact figures allocated to IM rather low cost houses are spread throughout the state of Johor.

According to IM Plan the development of IM will insure spillover benefits to the locals. Specifically, the IM will create of 800,000 job opportunities within 20 years. In term of housing however IRDA has claimed that, "IRDA does not get involve in development of property, but we only provide transit housing for workers in IM."

This statement applies to Perumahan Rakyat Iskandar Malaysia (PRISMA). IRDA was funded by Federal Government with RM200 million to construct

Figure : IRDA's Performance as Principal Coordinating Agent




1,500 units of public rental homes namely Rumah Iskandar Malaysia Rumah Iskandar Malaysia was transit housing for workers with gross monthly household income less than RM3,000 at monthly rental of RM360-RM560 with tenure period of 2 years.. Rumah Iskandar Malaysia has completed and launched in 2011. Currently there were 233 individual applications had been approved, the rest might go for bulk rent to companies.

## Local government context

The establishment of IRDA is to act as the principal coordinating agent for the development in IM.

Iskandar Service Center (ISC) was set up by IRDA and it is delegated as one-stop center to submit applications deal on behalf of 'IRDA's clients'.

ISC has managed to get the requisite approvals from related Government Agencies within the time-frame as agreed in SLA. The excellent performance of ISC was reported in IRDA annual report 2008. As shown in the data, ISC only undertook catalyst projects; this means ISC did not undertake ordinary housing projects. (See the Figure )

Information gathered also shows all the applications were able to get approval within the time frame as agreed in Service Level Agreement (SLA). This indicated that local authorities (Pihak Berkuasa Tempatan – PBT) have given good cooperation to IRDA by speeding up the approval process.

IRDA has no role to interfere the housing approval procedure. There was no special allocation for affordable homes policy of the Federal and State Policy into CDP as well as local plans.

In fact, IRDA has recommended guidelines specifically for housing development in Iskandar to the State Authority of Johor to be implemented by all related PBTs. The completion of the entire guidelines has been deemed as one of the achievements of IRDA in its annual report 2009.

In the guidelines, the developers are requested to construct PKJ and RMMJ for Malaysians with lower and middle income based on the required quota.

By virtue Section 37 of Act 664, IRDA is authorised to establish and mange "Social Projects Fund", which can be used by IRDA to build affordable homes, but yet IRDA has to follow housing approval procedures.

Although IRDA has power to make recommendations in relation to local planning control through a proposal or draft CDP yet the recommendations by IRDA will only incorporate into local plans for relevant PBT upon approval from Johor State Planning Committee (JSPC). By virtue section 24 of Act 664, the approval or rejection power of the draft CDP is with Johor State Planning Committee. This means the Johor State Planning Committee has power to reject a draft CDP if it is of the opinion that the draft CDP has not been prepared in accordance with NPP and JSP.

## Summation

Incorporated by a Parliamentary Bill in 2006, IRDA is the chief administrator for the region and has been entrusted by the Malaysian government to formulate plans, execute programmes and exercise control for economic and social development within IM. IRDA also serves as the bridge connecting the state and local governments.

The development in IM should focus on planning and foundation building in Phase 1 of the developments. IRDA as the DA of IM has successfully act as planner or designer for housing guidelines that benefit the locals with lower and middle income, but it does not contribute much in foundation building particularly gazette some lands for affordable homes.

In conclusion, IRDA has authority but has no power in housing development, in delivering of affordable housing. With limited power, practically IRDA only can act as planner or designer for housing guidelines that benefit the locals with lower and middle income groups.

(Authors: from International Institute of Public Policy and Management (INPUMA), University of Malaya)

# Denmark Supports South-South Cooperation in Renewable Energy

By Zhu Zijun


The signing of a project agreement for renewable energy technology transfer

A milestone multilateral partnership was forged between China, Denmark, Ghana, Zambia and United Nations Development Program (UNDP) with the signing of a project agreement for renewable energy technology transfer on August 19, according to the Danish Embassy in China.

Denmark works with the UNDP as catalysts. The project, one of the first triangle South-South cooperation programs between China and Africa, is financially supported by Denmark. It is in an effort to ensure that Chinese renewable energy technologies can optimally cater to the needs in Ghana and Zambia, that those conditions are able to be created to make adoption of these technologies, that barriers can be removed and that local capacities to handle national priorities and meet local needs are able to be strengthened.

The Danish government funds the initial formulation of this project and in addition, Denmark has provided UNDP with DKK 29.25 million, or around RMB 32.16 million, for implementing the project in Ghana and Zambia. The implementation, to be led by both Chinese and Danish governments and with China's Ministry of Sciences and Technology as platform for cooperation, is supported by UNDP offices in Beijing, the Ghanaian capital, Accra, and the Zambian capital, Lusaka.

"It seems quite obvious for Denmark to enter in an innovative partnership like this. Denmark has a serious track record in setting high targets for use of sustainable energy and meeting these goals by delivering commercially viable solutions to these challenges," said Friis Arne Petersen, Ambassador of Denmark to China.

"Together with Denmark's involvement as a long term partner in development aid for Africa and Denmark's increasing bilateral cooperation with China in a broad sense make it natural for us as a donor to engage in a project like this," he added.

An increasing access to energy through off-grid and community-based electrification for the rural poor in these two African countries will be gained under this project, which also sets up an example for other developing countries interested in cooperation of this kind with China in the future.

The project is part of the UNDP-China agreement for strengthened partnership inked in 2010 to promote South-South cooperation through innovative programs.

"The UNDP is pleased to embark on this cooperation and is committed to making projects more impactful and more sustainable by providing 'software' support with the transfer of renewable energy technologies, rather than just relying on the traditional hardware of equipment or infrastructure," said Xu Haoliang, UN Assistant Secretary-General, UNDP Director of the Regional Bureau of Asia and the Pacific.

# Promising Outlook for EU-China
# Trade in Services

By Zhu Zijun

China is still a small services partner for the EU but its importance is growing fast, as revealed in a recent research report by Deutsche Bank.

The report showed that China accounts for around 2% of total EU services exports, just ahead of Japan with almost 2%. The key markets for EU services exports are the intra-EU market (55%) and the US (11%).

Nevertheless, EU services exports to China grew by 16% p.a. on average in 2004-2012, more than double the rate of growth of total services exports. Regarding EU services imports, the picture is similar: the main sources are intra-EU (41% of total) and the US (12%). China's share is below 2% but its growth has been rapid at 14% p.a. on average in 2004-12 vs. only 6% for total EU services imports. Unlike in goods trade, the EU has run a consistent surplus against China in the services trade account, which has widened in recent years.

According to the report, among EU services exports to China, the most important sector is transport with a share of 29%, followed by business, professional and technical services, merchanting and trade-related services and travel with similar shares of around 15% each. By country, Germany is China's largest services trade partner in the EU, with a trade volume of EUR 13 bn in 2012 (charts 18 and 19), roughly a quarter of China-EU services trade.

Transport and trade-related services have sizeable potential as China continues its relentless trade and economic engagement with the rest of the world. Regarding travel, outbound Chinese tourism is relatively new and expected to see rapid growth in the medium term, underpinned by a rising middle class and new wealth accumulated since the past decade. In 2013, 97 million Chinese traveled abroad, and the number is expected to surpass 100 million this year.

The number of Chinese travelers to Europe still lags far behind Asian destinations. Mainland Chinese travelers to the top-4 European destinations (Italy, UK, Germany and France) combined were 1.6 million last year (chart 20), fewer than Chinese visitors to South Korea (3 million) and Thailand (2.2 million). But this may be changing: Chinese arrivals into Italy grew at an average rate of 26% during 2010-12, compared with overall outbound tourism growth of 20%.

Prospects for exports of other business services are also favorable. Demand from China's corporate sector, with its growing sophistication, as well as from its large consumer market spells large opportunities for services of trading and sourcing companies. Moreover, given the current stage of development of China's privately-owned enterprises, the restructuring of state-owned enterprises as well as the expansion of multinational corporations, professional services like legal, accounting, public relations, advertising, market research and R&D services are likely to be in strong demand for the next several years.

The report found that EU services imports from China totaled EUR 20 bn in 2012, equivalent to almost 3% of imports from extra-EU sources. The largest component of EU services imports from China is transport, accounting for 45% of the total and almost 8% of EU imports from outside the Union.

Travel services accounted for 13% of EU services imports from China. Arrivals in China from the top-4 EU countries in this category (Germany, UK, France and Italy) reached around 2 million in 2013, making up around 1.6% of total inbound travelers into China that year. European arrivals in China tapered significantly after the global financial crisis in 2008 and are thus far only recovering slowly, which could suggest that many European visitors come to China for business purposes rather than for leisure.

China has overtaken Japan as main source in Asia for EU imports of transport and travel services as well as trade-related, legal and other services but it lags behind in royalties and license fees and financial services. This may be indicative of the fact that China is yet to catch up in developing and selling intellectual property-protected products and that its financial sector remains relatively closed.

EU imports of China's financial services are likely to be significantly boosted as the role of the renminbi (RMB) as international currency expands – which is the topic of the next section.

During Chinese President Xi Jinping's visit to Europe in late March, the EU committed to opening bilateral talks on a free trade agreement (FTA). A formal start of negotiations depends on a successful outcome of current talks on a bilateral investment agreement, in the framework of the EU-China 2020 Strategic Agenda agreed upon in November 2013. In particular, European firms are pushing to improve business practices which they see as putting them at a disadvantage in obtaining local funding and local contracts in China.

A free trade agreement involves, as mentioned in a joint declaration between Germany and China, "a longer term perspective", and, while there is no specific timetable yet, the mere declaration of intent is a significant step.

Bilateral trade between the EU and China already exceeds EUR 1 bn a day. "Simply extrapolating the trend of the past decade suggests that the value of bilateral trade in goods and services could reach EUR 660 bn in a decade's time," said the report.

# E-Consumer Interests Calls for Protection in Cross-border Purchasing

By Veronica Zhang

Recently, Neven Mimica, Commissioner for Consumer Policy in the Directorate-General for Health and Consumers of the European Commission, paid a visit to China. During his visit, a joint statement between the Commission and the State Administration for Industry and Commerce of the People's Republic of China was signed.

Mimica said to *China's Foreign Trade* that the EU and China are outlining joint efforts to crack down on counterfeit goods, and Chinese government is determined to take strong measures in the process of supervising and recognizing related products.

As manifested by the statistics from the Customs, China and EU have become major trade partners of each other, since the bilateral trade volume between these two economics reached EUR 428.1 billion in 2013. China has become EU's largest exporter, while products made in EU witness encouraging sales growth year by year in Chinese market.

## Cross-border e-commerce doubles annually

As of December in 2013, the amount of Chinese netizens was 618 million and 500 million used mobile phones to access the Internet, with an Internet penetration rate of 45.8%. Of all the Internet users, 302 million had on-line shopping experience.

In 2013, the volume of online transactions was as high as RMB 1.85 trillion, accounting for 7.8% of the national total retail sales. The revenue realized on "Singles' Day" in 2012, which is recognized as China's biggest online shopping day on every November 11th, was RMB 19.1 billion, and that in 2013 was surprisingly RMB 35 billion. According to related data, the amount of enterprises developing cross-border business on various kinds of platforms is up to 200,000. More than 300 million parcels containing over 1 billion items are exported from China to foreign markets by means of express or surface mail every year.

It was from the year of 2013 that China started heading to the largest country of online shopping. Rapid development of e-commerce may be seen in the turning point of 2015, and invisible market based on the Internet is believed to approach the traditional tangible market size around 2020.

"Nearly EUR 40,000 would be accomplished almost every second through the Internet in China. The amount of online consumers in China is estimated to be 416 million in 2016," said Mimica, "In the EU, consumer expenditure contributes to 60% of the GDP." According to Mimica, consumers are the major driving force to fuel economic growth.

Though prosperous, the booming online shopping brings about new challenges on the fields of product safety and consumer protection. Mimica said that the EU expresses concern about the differences in laws related to e-commerce in both jurisdictions.

As China's largest trade partner, the EU calls for setting up quality management systems at origin, strengthening quality control in producing, and implementing strict tests after production.

"EU and China should have more international cooperation to make consumer rights heard clearly, in order to gain mutual respect and understanding in Internet-based transactions," Mimica told *China's Foreign Trade.*

Consumer protection is an issue on an international base, according to Mimica, and it should not fully depend on market supervision but take safety into consideration since the beginning of product design.

"Manufacturers should pay more attention to product safety in the early days of designing, which means the government should leave space for them to build and develop safety culture." said Mimica.

## Rapid alert system: To safeguard consumer rights

When asked how to effectively settle disputes in cross-border e-commerce in EU, Mimica said to *China's Foreign Trade* that a rapid alert system for imported non-food products, medicine and medical equipment is functioning well among EU countries.

In March of 2014, the European Commission released the annual report of the rapid alert system for non-food dangerous products (Rapex), in which several Chinese products were said unqualified, mainly involving in the fields of textile and garment, toys, mechanical products, etc.

Mimica said some toys made in China had hidden hazards in both physical and chemical aspects. For example, some toys may be made with harmful coloring agent, inappropriate material, deficient design, or much too small parts easy for children to swallow. Depending on the rapid alert system, safety issues of products can be fed back to China immediately, and nearly half of the unqualified products will be sent back to Chinese manufactures. This ensures that consumers can be protected effectively and manufacturers will be forced to improve their safety awareness.

Jiang Xiaojuan, who has long led the projects of China-EU quality infrastructure and technical barriers to trade, mentioned that small and micro enterprises are the major participants of Chinese exporters, which is the decisive factor of the export products with near-failing quality due to the limitation in enterprises' detection equipment and technology.

In comparison, some large-scale enterprises in the EU countries have lobbied for higher entry threshold with crucial competitive advantages by means of generalizing their own standards.

Against this backdrop, small and micro exporters in China have been thrown into a passive position when dealing with the continuously industry standards in EU market. Experts suggest that these enterprises should ask the government for help; on the other hand, they must increase their spending in R&D, improve production techniques and control products quality strictly, in order to raise enterprise standard and even the industry one.

" 'Made in China' will gradually be labeled as higher quality and better reputation," said Mimica, "The EU will spare no effort to strengthen mutual cooperation." Furthermore, Mimica spoke highly of Chinese government's endeavor in guaranteeing products quality and consumer interests.

It is noteworthy that China has regulated links before products being put on the market in new laws and regulations about consumer protection, which resembles the experience in the EU.

"The EU has a much stricter framework in consumer protection than other countries. We are willing to share our experience and explore possible areas of institutional cooperation in the field of consumer protection," said Mimica, "As Chinese economy soaring, the awareness of consumers to protect their own interests are also strengthening. We really approve of Chinese government and Consumer Protection Association's support and efforts."

With regard to the online transactions, disputes can be frequently seen in the EU. However, the EU has taken the lead in exploring solutions and provided a reference.

On December 18th in 2000, the EU and the US jointly issued a document named "About boosting consumer confidence in e-business and establishing Alternative Dispute Resolution (ADR) system".

It was reported that 21% consuming behaviors in 2011 have disputes in the EU, among which only 2% adopted court litigation to solve the problems. The unsolved disputes cause a loss of nearly 0.4% of the EU's GDP every year.

Compared with traditional court adjudication, ADR is more timesaving, inexpensive and convenient. It is estimated to save EUR 22.5 billion (0.2% of the GDP) every year if all the consumers in the EU would choose ADR to be the resolution process.

If the dispute happens in an online business environment, Online Dispute Resolution (ODR) can offer the advantage of speed, reduced cost, greater convenience and accessibility online as well. It enables parties to resolve their disputes without the need to physically travel or meet with dispute resolution professionals.

"With the rapid pace of globalization and informatization, online shopping embraces explosive development, which calls for more exploration in consumer protection and cross-border exchange and cooperation," said Zhang Mao, Director-General of the State Administration for Industry and Commerce. ODR therefore has the potential to be popular and widespread. The first organization to implement ODR in China is jointly established by China International Economic and Trade Arbitration Commission and Hong Kong International Arbitration Centre.

"Since China and the EU are among the largest markets in the world, it is crucial and beneficial to explorepossible areas of institutional cooperationin the field of consumer protection," said Mimica.

# China Eyes Closer Agricultural Co-op with Mexico

By Zhu Zijun

Mr. Carlos Aldeco, Minister of Office of the Ministry of Agriculture of Mexico (SAGARPA) in China

China is eyeing closer economic relations with Mexico in recent years, especially in agriculture. Outlook for bilateral ties is promising. With regard to this topic, *China's Foreign Trade* has an exclusive interview with Mr. Carlos Aldeco, Minister of Office of the Ministry of Agriculture of Mexico (SAGARPA) in China.

### Q: How is the agricultural cooperation between Mexico and China?

**A:** With the beginning of the administration of Mexican President Enrique Peña Nieto, the political and economic ties between China and Mexico have strengthened and the bilateral relation has acquired a strategic nature. The excellent state of relations between the two countries is reflected in the numerous meetings between Presidents Peña Nieto and Xi Jinping over the past months. As part of the Comprehensive Strategic Partnership established during the state visit of President Xi Jinping to Mexico in June 2013, Mexico and China agreed to promote a set of specific actions aimed at increasing bilateral trade, including an expansion of the presence of Mexican agricultural products in the Chinese market.

Currently, China is Mexico's second largest trading partner and the main destination of Mexican exports to the Asia-Pacific region, with trade between 2002 and 2013 growing 878%. Also, Mexico is the second largest trading partner of China in Latin America. Last year, Mexico bought nearly the same amount of Chinese goods as France or Canada.

With regard to agricultural trade between the two countries, trade flows have been very dynamic, with a growth that almost doubled in the past five years. In 2013, Mexican exports of agricultural and fishery products to China totaled USD 168 million, an increase of 247% from 2009.

### Q: What are the main Mexican agricultural exports to China?

**A:** Mexico's products are well known for their quality and adherence to the strictest sanitary standards, allowing exports of more than 290 different products to 160 countries and regions. The most demanded Mexican products in the global market are tomato, avocado, watermelon, mango, lime, asparagus, cucumber, beef, pork, tuna fish, sardines, octopus, lobster, tequila and beer.

Currently, the main Mexican products exported to the Chinese market are cotton, grapes, avocado, orange juice, seeds and vegetables, frozen fish, beer, shrimp, squid, fish meal, among others.

### Q: How does the Mexican side view the Chinese market? What products are seeking opportunities in China?

**A:** The Chinese market is highly attractive to Mexico, specially its urban areas where there is a higher consumption of imported goods and an increase in the purchasing power among the population. China is undergoing a reshaping of their consumption patterns, therefore, Mexican products of high quality and good prices might be able to conquer a larger share of the market. Currently, Mexican products such as beer, tequila and avocado can be easily found in cities like Beijing and Shanghai; however, the present challenge is to expand the offer to other cities such as Harbin, Qingdao, Tianjin, Xi'an, among others, and to increase the usage of new distribution channels such as online sales.

Recognizing the potential of the Chinese market for agricultural and fishery products from Mexico, SAGARPA has begun negotiations for sanitary approval from the Chinese government to export berries (blueberry, raspberry, blackberry and strawberry), beef, dairy, tobacco, among other products. Mexico's government hopes to achieve concrete results in terms of market access for these four products during the state visit of President Peña Nieto to China in November this year.

Two other Mexican products that have caught the attention of Chinese consumers are tequila and pork. In June 2013 China allowed the import of 100% agave tequila. Four months later, Mexican exports of this product amounted to 64,000 liters and continue to rise. By 2018 the Mexican tequila industry expects to place 10 million liters in the Chinese market.

Mexico produces 1.2 million tons of pork annually. Mexican exports of this product exceed $380 million and are sent to countries as diverse as USA, Canada, Russia, Japan, South Korea, North Korea, Singapore, Vietnam, among others. In May 2013, China approved four Mexican plants to start exporting pork to the Chinese market. Currently, the Mexican government is in the process of getting approval from the Chinese government for several more plants.

### Q: Are there any bilateral agreements on agriculture?

**A:** Mexico and China have several bilateral agreements for cooperation in agriculture through some of its institutions:

a. SAGARPA-CAWA. In June 2013, within the framework of the visit of the Secretary of Agriculture Enrique Martínez y Martínez to China, SAGARPA and CAWA signed a cooperation agreement to promote agricultural trade between the two countries. For that, they agreed to exchange information on trade fairs, exhibitions and other promotional activities.

b. INIFAP-CAAS. The Agreement on Scientific and Technical Cooperation between the INIFAP and CAAS was signed in April 2012. Its goal is to promote cooperation in science and technology through specific collaboration projects in livestock areas, natural resources and agri-technology.

c. SAGARPA-MOA. An cooperation agreement on fisheries and aquaculture was signed between Mexico's SAGARPA and China's Ministry of Agriculture. Its goal is to promote cooperation in fisheries and aquaculture in order to strengthen the fisheries sector in both countries.

### Q: What are the main challenges for Mexican products entering China?

**A:** The main three challenges for Mexican products in China are:

a. Some Mexican products that are currently sold in China are not very well known by consumers. Exports of Mexican avocado, for example, are quickly growing worldwide. In the first six months of the year, USD 2.9 million worth in avocados were sent to China, equivalent to about one thousand 260 tons of this product. This represents an increase of 724 percent in value on an annual basis. The challenge is that in spite of the aforementioned growth, Chinese consumers generally do not know that the product comes from Mexico. Therefore, promotional campaigns for several food products, including avocado, will soon be launched in China.

b. Mexican products are being sold and known by consumer of big cities, but in second-tier and smaller cities the market penetration is still a task to be achieved.

c. New channels of distribution. Another challenge that Mexican products face in China is to be able to go beyond the traditional channels of sales such as supermarkets and start to blend into the new trends such as online sales which are increasingly popular among the younger generations of Chinese.

### Q: For trade balance, what agricultural products will Mexico import from China?

**A:** The most demanded Chinese products in the Mexican market are tilapia, shrimp, peppers and its seeds, tomato seeds, peanuts, confectionery products without cacao and yellow fin tuna fillets. Mexican imports of agro-alimentary and fish products from China have increased over the past years, registering an increase of USD 213 million from 2009 to 2013.

### Q: What is the Mexican Ministry of Agriculture doing for closer bilateral ties in agriculture?

**A:** Last year, Mexican President Enrique Peña Nieto issued instructions to Mexico´s Federal Government for strengthening bilateral relations between Mexico and China. Therefore, SAGARPA decided to increase its institutional presence in China and to promote cooperation on multiple fronts by setting a representative office in Beijing that started operations in March this year. Among the office's responsibilities are:

–To represent SAGARPA with Chinese authorities.

–To take part in the negotiation of sanitary protocols and market access.

–To foster cooperation activities and agricultural research.

–To promote exports of Mexican agricultural products and to bring foreign investment to this sector in Mexico.

–To organize and to participate in trade promotion activities such as fairs, exhibitions, trade missions, etc.

–To conduct studies and market analysis.

This year, Mexico will co-host the eleventh edition of the International Fair of Small and Medium Enterprises in China, CISMEF, which will be held in October in Guangzhou. This fair will establish a new platform for direct contact between SMEs of both countries. More than 150 Mexican companies have confirmed their participation in this event, most of them in the agricultural sector. Among the products that these companies will promote in this fair are frozen fruit, coffee, seafood, berries, beef, pork, horse, pure bean tequila, honey, tea, peppers, avocado, lemon, mango, juices are fruit, jam, sauces, pancake, walnut, chia, among others.

In addition to CISMEF, more Mexican companies are participating in other fairs such as the Asia Fruit Logistica in Hong Kong and the FHC China in Shanghai. Late this year, a mission of Chinese importers interested in tequila will visit Mexico in order to learn about the producing process and the qualities of this national beverage. Extensive promotional campaigns for Mexican products will be launched in order to boost their knowledge and acquisition in the Chinese market. These promotional campaigns include products such as avocado tequila, beef, seafood, berries and dairy products.

During the last months of this year, two trade missions of Chinese importers to Mexico will be conducted for berries and avocado, allowing the Chinese buyers to get a firsthand grip of production sites and the chance to have business meetings with Mexican exporters of these two products. In addition, an increasing number of high level visits of both businessmen and government will take place over the next few months, and will undoubtedly continue to rise in the upcoming years.

# Zhangye Strives to Build Exhibition Economy Center

By Guo Yan

2014 Silk Road International Ecological Industry Expo & Green Organic Products (Zhangye) Fair will be held during September 11-September 14, 2014 in Zhangye, Gansu Province, with over 400 entrepreneurs from home and abroad.

## Zhangye seizes the opportunities of Silk Road Economic Belt

Themed with "Open development, green ecological, mutual benefit and win-win situation", the fair highly promotes the Silk Road and invites exhibitors from around the world. Professional associations or institutions from Central Asia, West Asia, Africa and Europe took part in the exhibition, shared information and exhibited products and projects on this business platform. With the efforts through one decade, "Zhangye Fair" will become the most-renowned exhibition brand in the west region. This is the largest-scale and highest-standard international exhibition activity ever seen, and it will play a positive role in promoting trade cooperation and economic transformation of areas along the Silk Road.

According to vice mayor of Zhangye People's government Zhang Wenchi, Zhangye is located in the middle part of Gansu Western Corridor and occupies an strategically important position. It features good ecological environment and unique industry characteristics, and has gained reputation of "frontier Jiangnan" and "gold Zhangye" since ancient times.

Zhangye is in transportation hub of the Northwest region and strategic position of the Silk Road. It has rich cultural resources and is China's famous cultural and tourist city, and also cultural innovation and development area of Silk Road; it has rich resources and is listed by the Ministry of land and resources as one of 12 national key mining areas with perfect soil and heat condition.

Zhangye is also rich in agricultural resources and develops various unique industries, such as corn seed, mike jerky, facility agriculture, plateau summer vegetables, grapes for wine and potato. It is China's largest hybrid corn seed breeding base and demonstration area of national agricultural reforms.

It is also dedicated to building a large museum showing Silk Road culture and a big stadium for sports and outdoor events.

## Zhangye Fair features more internationalization

According to Han Xiaohong, Chairman of Yihe Yong Bang (Beijing) Exhibition CO., Ltd., the high lights of this fair will be as follows.

First, this fair has attracted exhibitors from around the world. The Silk Road Economic Belt went through 18 countries and radiated to 40 countries in Asia and Europe, covering a population of 3 billion. China's investments towards Central Asian countries have been increasing fast, and China has become the first investment source of Uzbekistan and Kirghizstan and second investment source of Tajikistan. China will expand cooperation with central Asian countries in economy and trade, finance and investment. The Zhangye Fair has attracted more than 500 companies.

Secondly, the mode of operation accords with the international exhibition standard. The display area is expected to cover 20,000 square meters, distributed among four exhibition areas, including new energy product exhibition, green agriculture and organic products exhibition, ecological tourism, culture, outdoor leisure products exhibition and international boutique exhibition.

In addition, there will be a forum themed with ecological agriculture cooperation between China and Africa, to promote the "Silk Road International Ecological Industry Development Forum". Also, a series of activities and inter-governmental and corporate meetings to promote China and Africa ecological industry development, and the intangible cultural heritage of Chinese medicine culture development will be held.

# International Beef and Mutton Exhibition to Kick off in Ningxia

By Zhu Zijun

Northwest China's Ningxia Hui Autonomous Region is eyeing to build a beef and mutton trading and distribution center through an international event.

2014 China (Ningxia) International Beef and Mutton Products & Equipment Exhibition is scheduled to be held in Yinchuan, capital of Ningxia during October 23-26. It aims to be a brand new professional exhibition and high-end platform for international cooperation.

According to Yang Xiaodong, director of Trade Development & Co-operation Center of China Council for the Promotion of International Trade (CCPIT) as one of the organizers, the exhibition will showcase a variety of beef and mutton products. In addition, the exhibition will display slaughter and processing equipments and cold chain logistics.

The exhibition aims to build an accurate supply platform for the exhibitors, purchasers and professional visitors with rich and colorful onsite experience to strengthen interactivity.

The event is held in the context of burgeoning demand in meat. Nowadays, meat consumption structure of modern people is changing. The consumption of beef and mutton rises with the recognition of nutrition value of beef and mutton and development of urbanization.

The overall production is increasing, though at a slower growth. In 2013 China's beef production rose to 6.73 million tons, up 1.7% over the previous year; mutton production reached 4.08 million tons, up 1.8% year on year.

However, the cost of cattle and sheep cultivation of remains high which leads to reduced enthusiasm of farmers. The rising cost is due to increasing feed prices, labor costs and long cycle of growth of cattle and sheep with increasing cost of epidemic prevention and transportation.

The rising cost pushes up the market price of beef and mutton. The market price is rising for 13 consecutive years, which leads to the surging of imports to some extent.

Data shows that in recent 5 years, the average annual growth rate of beef and mutton imports is more than 40%, especially annual growth rate of beef is as high as 115%. In the first half year of 2013, China imports 6496.42 tons of cold fresh beef, up 654% than 861.76 tons over the year of 2012.

Currently China has signed protocol of beef import with Australia, New Zealand, Canada, Argentina, Costa Rica, Uruguay and Brazil, and protocol of mutton import with Australia, New Zealand and Uruguay.

However, the import market is in disorder to some extent due to inadequate supervision and unmatched demand and supply information. Driven by interest, a few traders import from unapproved source which brings great hidden trouble to the regular meat market and food safety. Some of Chinese companies have difficulty in exchanging directly with overseas companies due to low internationalization, leading to unmatched demand and supply information.

"We will work hard to upgrade the industry through the exhibition, introduce international quality beef and mutton products, reduce domestic price of beef and mutton, promote healthy development of the industry and seek national import policies for Ningxia as a pilot, thus building a beef and mutton trading and distribution center," said Xue Gang, Deputy Secretary General of Ningxia People's Government.

"Ningxia opens a new market for Mexican producers of beef and mutton and we are ready to enter the market. The exhibition is only a starting point and there will be more bilateral exchanges in the future," said Efren Calvo Adame, president of Mexico-China Business Council (MEXCHAM).

Ningxia has advantages for the exhibition. Hui people accounts for about one third of the whole population of Ningxia whose consumption of beef and mutton has great potential. As a region opening up to the West, Ningxia also enjoys preferential policies.

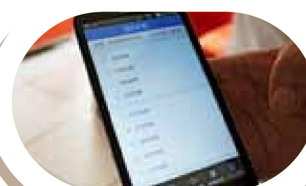
Since 2009, Ningxia has held Arab Economic Forum for four times and the first China -Arab States Expo, through which, Ningxia's international reputation has been greatly enhanced. And the development of Ningxia has received strong support from the state. In September 2012 , the State Council approved the establishment of Inland Opening-up Pilot Economic Zone and Yinchuan Bonded Area. In 2014, Ningxia was approved by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to build an imported meat designated port.

# Seizing Opportunities in Mobile Internet Lottery

### —— Interview with Mr. Xue Shikai, President of Hefei Caixiang Information Technology Co., Ltd.

By Richard Zhu

80后的薛士凯正迎来人生的巨大变化。他现任安徽合肥彩象信息科技有限公司董事长。从美的集团的区域经理，到互联网彩票投注平台的创业者和彩票O2O模式的践行者，薛士凯的人生和事业从此大为不同。



Great changes are happening on Mr. Xue Shikai, a post-80s and President of Hefei Caixiang Information Technology Co., Ltd. (hereinafter referred to as Caixiang) based in Hefei, capital of central China's Anhui Province. Once a regional manager of Midea Group, a Fortune 500 company known for its household appliances, now a creator of an online lottery company and a practitioner in O2O (online to offline) mode of lottery sale, Xue is going through a transition in his life and making a difference for his business.

"We have to make changes to adapt to the changing society and muster up our courage to seize unlimited business opportunities," Xue told *China's Foreign Trade*.

## Follow the trend of the times

Along with the progress of the social and people's living standard, lottery players are increasing at a rapid growth, which leads to a surge in lottery sales, including welfare and sports.

According to the China Welfare Lottery Issuing and Management Center, China's welfare lottery sales totaled 98.5 billion yuan (about $15.7 billion) during the first half of 2014, up 15.5 percent year on year. In July, sales of welfare lottery tickets rose 23.5 percent year on year to 17.4 billion yuan.

The FIFA Brazil World Cup boosted China's sports lottery sales. Data from the Ministry of Finance (MOF) showed that sales in July saw a jump of nearly 93 percent from a year ago to 19.8 billion yuan ($3.2 billion), after a year-on-year surge of 83 percent in June.

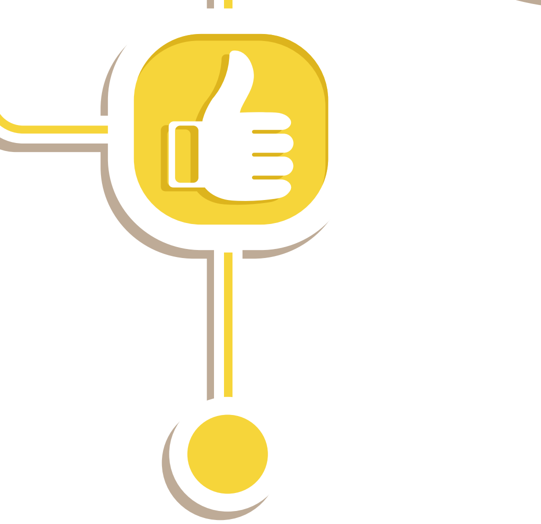
In total, China's lottery sales in July soared 52.7 percent year on year to 37.2 billion yuan. For the first seven months of this year, China's lottery sales rose 23.9 percent year on year to 215.6 billion yuan.

The rising trend is the same in Anhui. Welfare lottery sales in the province soared to 5 billion yuan through January to November 2013, up 35% year on year.

Internet is changing the world and people's lives, including their buying patterns of lottery.

Online lottery sales jumped 82.6 percent from a year ago to 42 billion yuan (about $6.5 billion) last year when total lottery sales reached 309.33 billion yuan, accounting for 13.58 percent of the total, according to data from the lottery consulting website xueqiu.com.

Data from the MOF showed that boosted by the World Cup, online

lottery sales usher in explosive growth. The online sales soared to 23.2 billion yuan in the second quarter of this year, up 94.6% from the first quarter. Among the sales, mobile internet sales is rising more obviously which reached 9.7 billion yuan, up 169% over the pervious quarter.

"More and more lottery players are turning to mobile devices to buy lottery as mobile payment is becoming more accessible, which shows an irresistible trend of the lottery industry," said Xue.

Before creating Caixiang, a young company established in September 2013, Xue was committed to lottery software development and research, including a lottery analysis software which was developed by his team with experience from others.

At that time, lottery analysis software was becoming more and more popular with lottery players. Xue and his partners tried every means to promote their software in Anhui and other provinces. In late 2013, he met Xie Lu who joined his team with professional experience in the industry and later became CEO of Caixiang.

Thanks to their hard work, the software gradually opened the market and started turning a profit. To take a large slice of the growing pie of the lottery industry, Xue found a Shanghai-based technology company to assist his team in research & development, so that they could focus on sales and promotion. However, the cooperation broke down due to some reason.

Seeing the rising sales in online lottery, Xue made a brave decision to open his software as free for players. "That is a major transition, signaling we are shifting to an online lottery platform which is abound in opportunities," he said.

## A new business model

Portals like Taobao and Tencent are also tapping into the booming lottery market with their own brands, lottery channels and large amount of website traffic. Competition is becoming fierce.

Though online lottery is seeing robust growth, its sales seem to be apart from offline sales and the players seem to be different people. "As an online lottery service provider, we see the disconnection between online and offline sales. Therefore, we decide to do something to connect the two kinds of sales and that is why we try the O2O model," Xue said.

Data shows that China, with a huge population, accounts for only 2% of the global lottery volume. Only 10% Chinese have bought lotteries, while over 75% population of the

If all goes well, Xue plans to make Caixiang trade on the New Third Board in October this year. He still has greater ambitions. Caixiang is expected to conduct initial public offering (IPO) overseas.

development countries like the U.S., France and Japan have been engaged in buying.

In terms of sales model, the domestic market still relies on traditional printing lottery tickets and players' buying on cash. However, lots of self-service lottery ticket machines have been installed in public places like convenience stores and subways in developed countries which allow players to help themselves.

Following the trend, Xue decided to set up self-help betting lottery terminals first in Anhui and then across the country. Now 20 self-help lottery terminals have been installed in prefecture-level cities of the province, including 5 in the capital Hefei. The number is expected to reach 200 by the end of this year, 500-800 by the end of next year and 2000 in three years. With design based on standardization, modularization and integration, the machines are safe and reliable in system, superior in performance, good-looking in appearance, well-adapted and easy to upgrade and maintain. In addition, the machines are compatible with the existing betting machines on the market. Registered users can transfer from online to offline freely. The self-help machines are installed in convenience stores with unified decoration and style, which offer other convenience service, like paying utilities expenses and medical consulting.

"This is the market trend and we have no choice but to change ourselves in response to the trend," said Xue.

Cooperating with Urban-rural Well-off Development Promotion Center and Shenzhen Zhonghang System Integration Co., Ltd., Caixiang is making efforts to improve service.

Apart from self-help machines, Caixiang is also focusing on mobile internet as smart phone is becoming an important platform for lottery. The company has both Apple and Android apps as well as a public account on a leading instant messaging platform WeChat.

Relying on strong technical accumulation in desktop client resources, Caixiang App Cloud Data Center allows complete synchronization for registered users' desktop and mobile terminal data. The users' history of buying lotteries, winning record, recharging record, balance of account can be referred to in the center. Unfinished purchase of lotteries can be continued in desktop or mobile terminal. The app is in support of Alipay, mobile internet banking, China Mobile card, etc.

Xue has confidence in his machines and apps which he believes through firsthand experience, users will get familiar with them and they will become more popular via word-of-mouth effect.

"We are promoting the apps and WeChat account by lifting users' viscosity, such as cultivating fans and experts in the field, creating lottery clubs to share evaluations, records and so on. More importantly, we issue a rewarding system to enhance our competitiveness," said Xue.

## Looking to the future

With full confidence in Caixiang's products and platform, Xue is looking to the future and seeking new breakthroughs.

Xue's first thought is trading on the New Third Board. The New Third Board, or National Equities Exchange and Quotation (NEEQ) system, serves as a national share transfer system for SMEs to transfer shares and raise funds. Companies listed on the New Third Board are increasing, which represents China's efforts to encourage the development of SMEs against the current economic downward pressure.

If all goes well, Xue plans to make Caixiang trade on the New Third Board in October this year. He still has greater ambitions. Caixiang is expected to conduct initial public offering (IPO) overseas.

"Now we are working with lawyers and securities firms on this issue and try to enter the capital market as soon as possible. It will be our mission to secure interests of share holders and investors," said Xue.

"But we are still lack of policy support and talented employees, which are the challenges facing us," he added.

Looking back to his creating of the company, Xue concluded, "Success is the process of torturing yourself."

For those founders of startups, Xue suggested, "They do not need to work like a horse, but should observe the market trend with innovation and new ideas; and they need to be sensitive to the industry they are engaged in; still, condition should permit them to start a new firm, such as capital, talents and partners; further, they need courage which means they are going to give up something; last but not least, they should believe themselves and the team."

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重庆中一种业有限公司是中国种业骨干企业，中国种业信用 AAA 级企业，国家级高新技术企业，是重庆市农业产业化重点龙头企业，获全国种子经营许可证和种子进出口权。

公司资产雄厚，基础设施齐全，有博士、硕士等各类专业技术人员 87 人。经过 30 年努力，公司研发出自主知识产权的适应性广、高产优质 Q 优系列杂交水稻，Q 优 1 号、2 号、6 号相继获重庆市人民政府科技进步一等奖和二等奖三项。Q 优 6 号被评为中国超级稻。Q 优 12 号“中国 + 再生稻”两季总产达 1238.3 公斤 / 亩，创造同纬“中稻 + 再生稻”历史记录。

Chongqing Zhong Yi Seed Co., Ltd is one of the key enterprises of Chinese seed industry, an AAA credit rating enterprise, a national high–tech enterprise, and the leading agriculture industrialization enterprise, which is bestowed with the national seed business certificate and the right of seed export and import.

The company boasts with rich assets, complete infrastructure and 87 professional technicians with master or doctor degree. After 30 years efforts, it has self–developed and researched Q series of hybrid rice varieties, which are of wide–adaptability. high–yield and good–quality. Q No.1, Q No.2 and Q No.6 have successively won the first prize and the second prize of Science and Technology Progress Award from Chongqing municipal government. Moreover, Q No.6 has been named as the Super Rice of China. In the cropping pattern of middle–season rice+regeneration rice, the total yield of Q No.12 amounts to 1238.3 kgs/mu (18.5tons/ha), creating a new record of yield in the same latitude area.

## Heat-resistant japonica rice Q 35 >>>

Heat-resistant japonica rice Q 35 is alatest hybridvariety ofjaponicarice jointly researched by Chongqing Zhongyi Seed Co., Ltd. and Chongqing Academy of Agricultural Sciences. Pilot planting with a total area of 20,000 mu has been conducted for this heat-resisting variety in South China in three consecutive years since the year of 2011, including Chongqing, Sichuan, Hunan, Anhui and Guangxi Zhuang Autonomous Region. This variety registered good performance in pilot planting – high yield, high heat resistance, good rice quality, high maturing rate, high milled rice rate, high overall quality and suitable for machine harvest.

## Q No. 5 >>>

Q No.5 is a new hybrid rice variety with high quality and yield bred by Chongqing Zhongyi Seed. As of 2004, the variety passed Chongqing assessment (Chongqing rice assessment No. 2004001) and passed national assessment in 2005 (national rice assessment No. 2005011).

## Qingyou No. 1 >>>

Qingyou No. 1 is a sterile hybrid rape with brassicachemical induction. Its growth period lasts for 184-241 days with an average of 216.5 days, 3.2 days more than Youyan No. 10. For every single plant, the number of effective pods is 418.9 grains, seeds per pod 19.5 grains and 1000-seed weight 4.2 grams. The plant is 210.1 cm in height with thelowest branch at 90.6 cm and 8.0 effective primary branches.

## Manqiu >>>

As a breakthrough in national technology, Manqiu is a new early cabbage variety for summer and autumn. 70 days is needed from planting to harvest. With a plant expansion of around 60 cm, about 3,500 plants can be grown for 1 mu land. Grayish green in color with much wax powder, the variety has anoblate and compact cabbage head. With good resistance to crack, the single cabbage head weighs 1.8 kg.

**地址 /Add**：重庆市南岸区南坪东路二巷 12 号 No.12, Lane 2, East Road, Nanan District, Chongqing, China **邮编 /Post**：400060
**电话 /Tel**：023–89055585 **传真 /Fax**：023–62802826 **E–mail**：cqseed@126.com http://www.cqseed.com

# Seeking for Nature ~ BANXIAOXUE Fashion Show

Ban Xiao Xue fashion show was held in Beijing 751D. PARK first workshop in China Fashion Week A/W2014/2015. One should naturally do the natural things and keep the silence and softness of the original mind to look for the source of all things and understand the present consciousness in seeking and regression. Without deliberation and not try to please any one, the designers should put down the so-called design, and let all return to the most natural state to feel and listen to culture, philosophy and aesthetics in every place of the world, to discover the causal beauty, and use the forces of nature to achieve harmony and share love and touch accumulated in time, memory and emotion with more people.

# Cross-culture Challenger ~ Cabbeen Menswear Fashion Show

Cabbeen Menswear Fashion Show was held in Beijing 751 D. PARK YOU-Z Studio. The theme of Cabbeen Menswear Fashion Show is "cross-cultural challenger". In autumn and winter, MrCabbeen believes that contemporary art design is elite art dominated by the elite. And in the contemporary art design, breaking through the clothes art, overturning the existing culture, making cross-field design and drawing inspiration from architectural design embody the sense of the future and foresight of cultural development. So this season, MrCabbeen starts from the architectural design and will explore the elite culture.





# Butterfly ~ Seccry·Sheguang Hu New Conference 2014

Seccry•Sheguang Hu fashion show was held in Beijing 751D. PARK first workshop. The theme of Seccry •Sheguang Hu New Conference 2014 is "Butterfly", using the fashion style and the traditional elements to cross the retro and modern time, Europe, America and Asia. Looking time as the clue, it shows the importance and necessity of scarf in people's life, especially the innovative new series of masks — "butterfly". They adapt to the current air condition, and show the traditional Chinese silk culture and the concept of modern fashion and healthy environmental friendly by the abstract technique.

# The Greeting ~ Beauty Berry · Wang Yutao Menswear Show

Beauty Berry •Wang Yutao Menswear show was held in Beijing 751D. PARK Central hall. Beauty Berry •Wang Yutao Menswear Show is inspired from the greetings of friendly messenger from an oriental mysterious country. Whether his innocent expression or his own colors of a landmark, it is what Beauty Berry will present in this season. The match of black and white in exquisite proportion and representation of the classic and the high-waist and wide-shoulder design is the vane for showing men's charm in next season; the splice of Black and white fabrics with high quality, combining with contrast color lines, can draw the rough figure of men.

**FACADE - Luo Yongjin, Shen Chaoliang Photography Exhibition**

**Curator:**
Gu Zheng

**Opening:**
2014.09.06 / 16:00 - 18:00

**Duration:**
2014.09.06 - 2014.10.17 / 10:00 - 18:00

**OFOTO Gallery.**
2F, Building 13, 50 Moganshan Rd., Shanghai, China

**Tel.:**
86 21-6298 5416

# As the **Facade** of History and Cultural Expressions

By Gu Zheng

Facade (Façade) is an architectural term, which mainly refers to the front of a building. To meet the needs of living functions, architectural aesthetics, political and economic status of the owner, etc, the designer needs to turn the façade into a planar space qualified for various requirements such as ideology, aesthetic taste and function, etc.

In this sense, Facade is not only required by a practical functional requirement but also by an aesthetic pursuit. The owner and designer hope the public can understand the idea and value that they pursue and want to express at the first contact with the building. And the Facade on the other hand provides eye contact in space to move and influence the audience by details and the whole.

This exhibition shows the works of two photographers Shen Chaoliang and Luo Yongjin. They both happen to start from the "Facade", to watch, discover and reveal the front, as well as the culture, history and psychology behind.

Shen Chaoliang's STAGE series shows the stage truck moving between urban and rural areas in Taiwan. His technique starts from the "Facade" in architecture (sometimes there is slight angle deviation, not the full front, which can be also seen in Luo Yongjin's works). The front view of a stage truck in full swing is like a peacock in his pride giving the audience a full view to understand its features. In architecture, Facade may be always the first problem that a designer shall solve, because Facade is closely related with what people face, which part and direction architecture shall first affect people's impression and the relationship between architecture and surroundings, which all involve the designer's careful consideration. These stage trucks also have requirements in the Facade design. As a kind of performance stage, the front effect must be visually striking. Therefore, they are the best visual performance space to reflect the designer's imagination and creativity. From such a small cultural complex, the "Facade" of stage truck best grasp the essence of Taiwan's culture. Shen Chaoliang's style of color and large format is more conductive to release the rich cultural details of the stage trucks, which fully presents the exquisite descriptive ability of photography.

Coincidentally, Luo

Yongjin's two series also present the "Facade". Kaiping Fort House shows the fort houses in the area of overseas Chinese in Kaiping, Guangdong Province; New Residence Hangzhou presents the houses of rich peasants in the suburbs of Hangzhou. These strange buildings in the two places are both built by the economicly successful people. The Kaiping fort houses are created by those who returned home gloriously after working hard abroad for decades during the late Qing dynasty and the period of the republic of China. The architectural style combines various elements of Chinese and Western features; while the residential buildings in Hangzhou are built by the peasants who first got rich after China adopted the reform and opening-up policy in the late 1970s. The architectural styles, especially the details, reflect the aethetic taste of the locals.

The common experience of the building owners in Kaiping and Hangzhou is that they have gone through the economical change from poor to rich so that they both have psychological demand to show "success" and "wealth" by luxurious "Facade". Because of the showing-off mind, the buildings inevitably look vulgar with improper pile-up. As a result, such showing-off pile becomes the common aesthetic pursuit for rich people's buildings in Kaiping and Hangzhou. In a sense, this overlaying pile is the expression of architecture and culture, but presented by the concreate of buildings.

Both Shen Chaoliang and Luo Yongjin happen to deal with their subjects by showing the "Facade" and presenting different objects, which means that they manage to touch the essence of the objects, visually discover and convey the nature under the object's surface. Meanwhile, they both think of listing and displaying the subjects by relative system in typological way. This idea further points out the possibility of showing essence from the perspective of quantity. On photography, the use of the typology can achieve the goal of revealing the essence through quantity in a visual way and at the same time, correspond to the "collecting" nature of photography. After the photographer's delicate depiction, these "Facades" fully show their characters through the details and finally become the entryway to help us to enter the "biography" of those who are behind the buildings.


# Extended Play

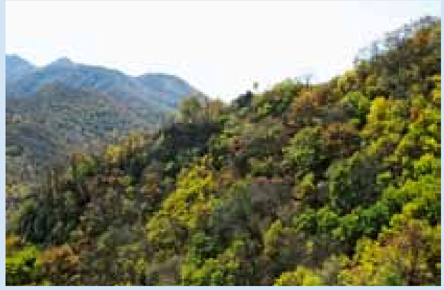
**Opening:** 2014/8/30 5-8pm
**Duration:** 2014/8/30 — 10/5

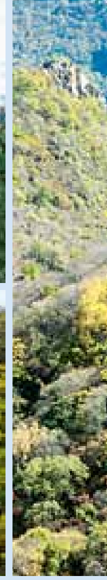
By Xu Zhe

In September, am art space presents the new exhibiton <Extended Play> from artist Xu Zhe. During the time am art space will display a series of interesting small sculptures and latestvideo works.

This exhibition origins from accumulated thoughts about some small scaled sculptures these years. Most of these art works came from fragments of experience from daily life, later they were processed by my improvisation. They carry my observation and way of perceiving an object. Due to the duration of time ,they gradually affected my work, and become the part of my life need not to be explicit about. The size is quite small, some of them do not even have concrete forms. They are purely improvised, uncertain; there is no specific opinions or wishes to be explained. These qualities form their characters, these characters form the whole exhibition.







# See the Autumn Colours in Beijing

By Hayden Opie

In summer it is hard work being outside in Beijing. Soaring temperatures, high humidity, and the occasional threat of heavy rain and thunderstorms makes it much easier to choose to stay inside with the air-conditioning running at full power.

But after summer comes autumn, bringing cooler temperatures and crisp breezes from the north to blow away the haze and smog. And, as the seasons change, beautiful red- and yellow-coloured leaves appear in the hills and mountains around the capital, making autumn the best time of the year to go hiking around Beijing.

Though other areas in China are deservedly famous for spectacular scenery, Beijing locals know they're not missing too much: a 1-2 hour drive from Beijing city takes you well out into the mountains, where you'll certainly find plenty to feast your eyes on.



延庆
Yanqing

It's a tough climb to the top, but worth the hard work – you'll be rewarded with panoramic views of mountains.

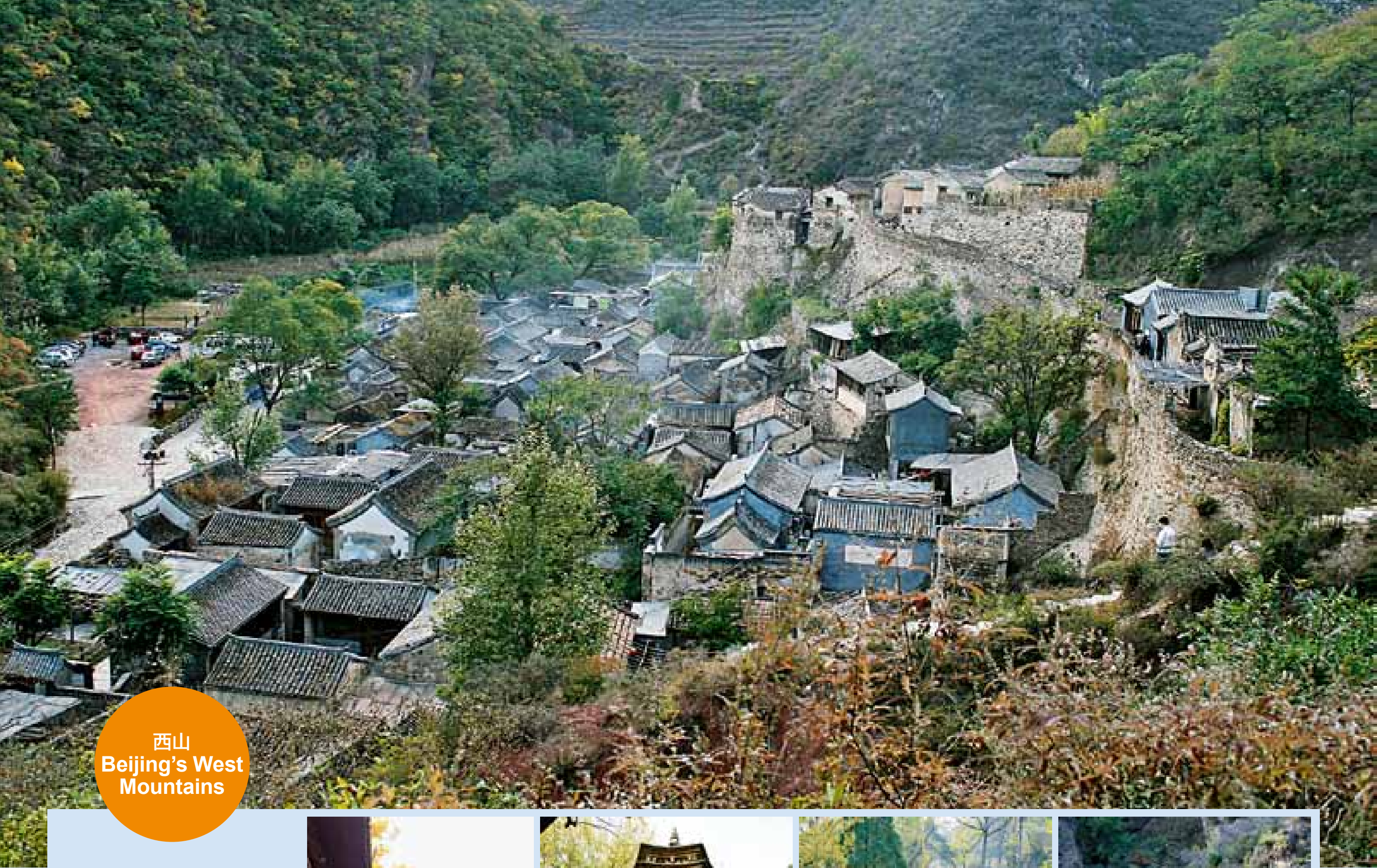

## Yanqing County 延庆

If you've been to the Badaling Great Wall then you've been to Yanqing County. But there's more out there than the Great Wall.

Songshan Park (松山公园) is in the mountains just north of the Yanqing city center, and has views of forested mountains, hills, and valleys, and there are even a few waterfalls. There are options for easy walks and tougher hikes.

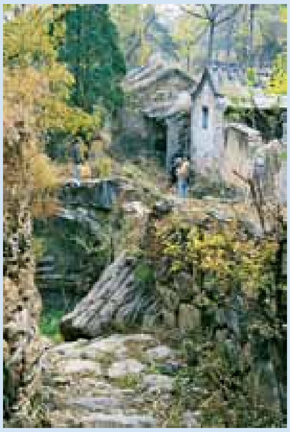
Dahaituo Mountain (大海坨山) is further into the mountains, and one of the trailheads is in Hebei Province. At over 2,000m, Dahaituo is the second-highest peak in Beijing, and the path to the peak crosses all sorts of scenery, including grassy meadows and pine and birch forests. It's a tough climb to the top, but worth the hard work – you'll be rewarded with panoramic views of mountains.

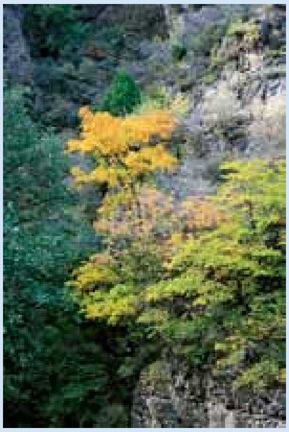
The climbing season at Dahaituo finishes in October, when fire prevention season begins.



西山
Beijing's West Mountains

For hiking trips, try Phoenix Ridge , Yangtaishan and Vulture Rock Ridge — big hills crisscrossed by Qing Dynasty pilgrimage trails and more modern hiking paths.





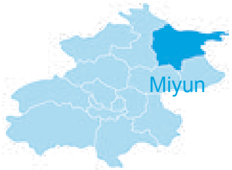

## Beijing's West Mountains 西山

The West Mountains are the closest mountains to Beijing city, and can be easily accessed by public transportation. Xiang Shan (香山) is the most well-known spot to see autumn colours, but because of the heavy crowds it is better to visit some of the scenic locations a little further out.

For relaxing trips, take a trip to some of the ancient temples in the hills — places like Dajue Temple (大觉寺) and Tanzhe Temple (潭柘寺) provide a more relaxed environment for a walkabout, and the yellow leaves of the magnolia trees in the temple grounds are a sight to be seen.

Even further out is the village of Cuandixia (爨底下), a Ming Dynasty-era settlement of stone courtyard-style houses built on a hillside deep in the mountains of Mentougou (门头沟).

For hiking trips, try Phoenix Ridge (凤凰岭), Yangtaishan (阳台山), and Vulture Rock Ridge (妙峰山) — big hills crisscrossed by Qing Dynasty pilgrimage trails and more modern hiking paths.




## Miyun County 密云

The mountains west of the big Miyun Reservoir are lined by deep canyons worn by water running down from the hills. Many of the canyons have been turned into park areas: buy your tickets, and you're free to wander up and down the park trails, taking in the views of cliffs, canyons, and forest. Taoyuanxian'gu (桃源仙谷) and Heilongtan (黑龙潭) are two of the best-known valleys and are well worth a visit, but there are many more places to explore.

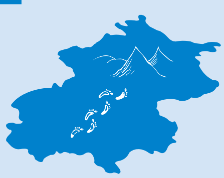
Southwest of the reservoir are trails of a different type, where you can follow tracks worn by the footsteps of farmers and shepherds crossing gently rolling hills. In winter you'll find ski fields are most popular out this way, but in autumn you're free to wander about, with the green of pines contrasting with the oranges, yellows, and reds of the leaves as they prepare to fall.

(Author: Marketing manager of Beijing Hikers)

密云
Miyun County

In autumn you're free to wander about, with the green of pines contrasting with the oranges, yellows, and reds of the leaves as they prepare to fall.

### Links



### Recommended hiking organiser

Beijing Hikers, a hiking and travel company that has organized hikes and trips around Beijing and China since 2001.

Visit www.beijinghikers.com to find more.

By Lewis McCarthy

# Tips for Studying Abroad

Take advantages of the opportunities and cultural peculiarities that don't exist in your home country.

Studying abroad is big business. For the London School of Economics, a British university with a high rate of international scholars in Britain, students from outside the UK make up 71% of its student population. Between 2011-2012, over 78,000 Chinese students came to the UK to study higher education. As the new term begins, many Chinese and non-Chinese alike will swap their home countries for others. Here are my three tips for making the most of a study abroad experience:

## #1. Do things that you wouldn't do back home.

Take advantages of the opportunities and cultural peculiarities that don't exist in your home country. For example many universities in China impose a curfew on students, where as in Britain, they do not – so go to concerts, bars, nightclubs and party the night away! Eat foods that you usually wouldn't. Before I visited China I never would have eaten fried scorpion or silk worms (and now that I have eaten both of these, I have an excuse not to eat them again!). Discuss topics that you might never bring up back home and get a new perspective – not only with those from the country you are studying in, but other foreigners too. I have been fortunate to have some open and frank discussions with Chinese friends, and have learnt many things from their differing views and opinions.

## #2. Travel far and wide.

It seems when things are so close, people tend not to visit them – I would wager the majority of people in London have not been inside tourist attractions such as the Tower of London, likewise, I imagine many New Yorkers have never visited the Statue of Liberty. When I ask a Chinese person their favourite place visited in the UK, the Scottish Highlands is a common answer. Yet I have never been. In fact, I usually discover that they travelled to far more places in the UK than I have. Funnily, the opposite is often true when I speak to people in China, with myself having travelled to more locations in the middle kingdom. To me, Scotland seems a far away place, yet I would happily travel from Shanghai to Xi'an (three times further than London to Edinburgh) for a couple of days to go sight seeing. If you share this mindset, take advantage of it and travel as much as you can.

## #3. Study!

Ok. So this is an obvious one. But the first time I studied abroad in China, I ignored my study obligations. I had too much fun, I partied, I travelled, I ate and hung out with friends, but rarely visited the library. When I arrived back in Britain, my Mandarin and university grades had not improved as much as it could have and I regretted not spending more time focusing on it. I thought I would learn Chinese just by living in the country. This was not the case. Remember why you are there and make the most of it – after all, you have probably paid a sizable sum to be there!

# The Internship Search

By Margaux Schreurs

Job searching in China can be more difficult than you have told.

I have recently started my new internship as an Editor at one of China's many expat websites, and was actually surprised with how long it took me to find this internship, and the path that led me towards it. I think many different factors are now making it increasingly hard for foreigners to start off their career here, or find their place in the Chinese Dream.

Finding an internship in China was not as easy as I had hoped, or heard, that it would be. Everyone had always told me that it was a piece of cake, and starting to learn Chinese at a young age had put so many expectations on my career – my family would constantly say how rich I was going to be, or how successful, or again, how easy it would be to find an internship. People saying these things to me, of course, have massively increased my expectations of what my working future would be like.

However, I found that when internship-hunting there was actually just so much competition. Firstly, I was competing against my fellow classmates from the universities where I did my undergraduate and masters' degrees, both in London. And I was competing against all other universities in the world where Chinese or Chinese Studies was a subject. Having spent a year in China before this, I already know how many other foreigners are living here who have come from all over the world, bringing together so many different skills and disciplines.

Secondly, I am competing against all Chinese people who have studied and speak English, of which there are a lot. So many Chinese students come to the UK, US or Canada to study, or even Hong Kong and Singapore, and are thus basically bilingual. There are also a lot of students studying English at a very high level at Chinese universities throughout the entire country. I found that all of these people were also applying for the same internships, but had an easier time because of visa regulations, or because their Chinese, naturally, is better than mine. Increases in quality of education, and income of families meaning that more are able to send their children to good universities, means that the Chinese workforce quality has improved so much, making it hard for me to compete with local internship-seekers.

Thirdly, I had to compete against a lot of returning Overseas Chinese. Throughout my time in Beijing, I have realized how many Overseas Chinese there are living here, second or third generation Overseas Chinese who have come back to China to work or for a different living experience. Often they are extremely excited to go back to their ancestral country, and rediscover the 'home' that their parents or grandparents left behind such a long time ago. Unfortunately for me, all of these people are generally completely bilingual – speaking Chinese and English at native levels, and thus making it very difficult, or basically impossible, for me to compete with them on a language basis.

Fourthly, I found that a lot of Chinese companies did not really want to hire me as I would be a foreigner, and it is not always easy for them to get sponsorship for foreigners. However, this was just another barrier in my internship search, making it tougher for me to find my place, and start my career in the Chinese labour market.

I think times are really changing in China. Although it is still easier to find jobs in the education sector, as there is still a really high demand for foreign teachers, other sectors are becoming increasingly more difficult towards foreigners taking internships or jobs within the local companies.

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