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PROJECTS

Leung finds big HK role in Belt and Road plan

By ALFRED ROMANN
in Hong Kong for China Daily

Three years after the official launch of the Belt and Road Initiative, there is much greater understanding of the opportunities that it could generate, Hong Kong Chief Executive Leung Chun-ying said on Wednesday.

"People understand the whys and the whats... we are now very much at the 'how' stage. How do we grab the opportunities for all?" said Leung. "People who see opportunities under the Belt and Road Initiative are probably in the silent majority."

"It is such a vast initiative with such wide ramifications and ample opportunities for Hong Kong," Leung said during the China Daily Asia Leadership Roundtable in Hong Kong.

The event focused on "Hong Kong Super-Connecting the Belt and Road" and was attended by around 270 executives and opinion leaders.



Leung Chun-ying (center), Hong Kong chief executive, speaks at the China Daily Asia Leadership Roundtable discussions in Hong Kong on Wednesday. EDMOND TANG / CHINA DAILY

"Hong Kong can play a pivotal role in the implementation of the Belt and Road Initiative," Leung said.

At a time of slowing growth, Hong Kong can leverage its strength in financing, services, logistics and education to act as a connector of the 60-plus Belt and Road countries and regions and the rest of the world.

A key area of focus is financial services, the openness of which has allowed Hong Kong's economy to be named the freest in the world for 22 years in a row, said Leung.

In practical terms, Hong Kong has been moving forward in each of what Leung called the "five connectivities" of policy, infrastructure, trade and investment, financial cooperation and integration, and people and culture.

"Hong Kong could work as a

team to help 'Hong Kong Inc' to bring this connective force to bear," said Leung.

Other speakers at the leadership roundtable agreed with the importance of leveraging the Belt and Road Initiative to boost growth.

"Hong Kong's own success relies entirely on trade flows and open markets. Hong Kong has become too inward-looking and less open in recent years. Almost protectionist, sometimes," said Stephen Ng, chairman of the Hong Kong General Chamber of Commerce.

"The implementation of the Belt and Road Initiative has caught the attention of the business community in Hong Kong," said Jonathan Choi, chairman of the Chinese General Chamber of Commerce.

BEVERAGES

Moutai takes fiery spirit to Europe

By ANGUS MCNEICE
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China's iconic liquor brand Moutai chose the northern German port city of Hamburg, famed for its bars, restaurants and entertainment venues, to launch its campaign to bring the fiery spirit to Europe.

Tuesday's launch was part of a global campaign to make Moutai part of the world's drinking culture.

The event was touted as Moutai's official entry into Europe. While Moutai is a mainstay at formal celebrations across China, its exposure among Westerners is largely limited to businesspeople or foreign dignitaries on trips to China.

Moutai ramped up its international operations in earnest in 2014 when it held a banquet in San Francisco and promotional efforts saw hip bars in New York add Moutai cocktails to their menus.

Export revenue increased by 69.46 percent in the first half of this year, according to Yuan Renguo, chairman of

Kweichow Moutai Group, with total annual sales on course for \$6.4 billion across 60 countries and regions. The brand is currently focusing on Europe, taking out ads in major publications, including the Financial Times, and scheduling another gala for early 2017 in Paris.

149 euros

price tag for a 500ml bottle of Moutai in supermarkets in Europe

At the Grand Elysee hotel in Hamburg, 300 guests were served the sorghum-derived liquor in three cocktails designed by a German bar catering service.

"We had a lot of fun, but it was the most difficult time we've had making a new cocktail because it's such a different taste. It's really complex and really strong," said Alexander Brittnacher, founder of Next Level Cocktails.

"Moutai has a smell and taste of cacao, so in one cock-

tail we combined it with a chocolate vodka and chocolate bitters," he said. "In another we looked for food pairing partners and we found that blackberries were a good combination."

Moutai is in talks with a Paris-based cocktail manufacturer to sell pre-mixed drinks on the international market, and the company is scouting a location in Frankfurt for its own cocktail bar.

Moutai's European strategy will also focus heavily on Chinese restaurants, according to An Huailin, managing director of Moutai's imports and exports company.

The company is in talks with European retailers and the liquor will sell off the shelf for 149 euros (\$160) per 500ml bottle. In the United Kingdom, a good 750 ml bottle of single malt Scotch whisky costs at least 30 pounds (\$38).

Yuan said it made strategic sense to launch Moutai's European ambitions in Hamburg, given Germany's strong brewing culture and the city's status as one of the continent's major ports.

POLICY

Forex reserves decline by 2.2% in November

Govt moves to rein in risks associated with overseas investments in hotels, real estate

By WANG YANFEI
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The recent strengthening of the US dollar played a key role in the drop in China's dollar-dominated forex reserves last month, but capital outflow pressure will not persist for long because market speculation is expected to wane after the US Federal Reserve makes its interest rate decision, said analysts.

Official data on Wednesday showed that the foreign exchange reserves fell by

\$69.1 billion to \$3.05 trillion in November.

The monthly dollar-dominated reserve drop came amid a strong US dollar rally, with a potential interest rate hike in the United States expected to come in the near future, according to Yan Ling, an economist with China Merchants Securities Co.

The yuan depreciated by 1.7 percent against the greenback in November, during which the trading volume in the foreign exchange market increased for the third consecutive month, up by 9.3 percent month-on-month.

"But the decline in forex reserves is expected to slow in December when the market is expected to calm down after the US decision to raise its interest rate or not," said Yan.

A string of measures on strengthened supervision for outbound investment rolled out by the central authorities aroused concerns over the government's strong intention to curb capital outflows.

Four top regulatory bodies decided to tighten screening of overseas investment projects earlier this month. The National Development and Reform Commission and three other financial regulators on Tuesday said that China will rein in risks in outbound investment, targeting speculative behavior trying to move money out of China.

Four fields of investment will be strictly monitored, including real estate and hotels, according to a Xinhua News Agency report.

Ivan Chuang, vice-president of Moody's Investors Service Inc's Asia-Pacific Regional Management Group, regarded stricter supervision as a necessary move as the nation steps up the opening of its economy.

Chuang said that he did not see the necessity for the government to control only outflows without regulating inflows.

"The government should be more willing to see balanced capital flows," he said.

"Although investors' appetites do become uncertain as weaker yuan leads them to diversify their assets, it is understandable to see the government tightening control to fend off risks in outbound investment," he added.



Chinese fans of the AC Milan soccer team sing during a friendly match in Shenzhen, Guangdong province. BOBBY YIP / REUTERS

AC Milan buyers given 3-month delay

By BLOOMBERG

Former Italian premier Silvio Berlusconi granted a three-month delay to the Chinese investment group seeking to buy his AC Milan soccer team, after the buyers failed to get authorization for the deal from local authorities, according to people familiar with the matter.

Advisers to Berlusconi's Fininvest SpA holding company and the Chinese group, Sino-Europe Sports Investment, agreed to delay the closing until as late as the end

of February in exchange of an additional, non-refundable deposit of 100 million euros (\$107 million), the people said, asking not to be identified because the talks are private. The deposit will have to be paid by Dec 13, the original closing date, otherwise the deal falls apart, the people said.

The delay marks a new twist in an odyssey that started in August, when Fininvest agreed to sell AC Milan to a little-known group of Chinese investors for 740 million euros including debt.

The group, which made an initial deposit of 100 million euros, didn't have all the financing in place when it agreed to purchase the Italian club, people familiar with the matter said in September. The group led by Chinese businessman Li Yonghong hasn't revealed its full list of investors.

The purchase agreement includes a requirement to provide 350 million euros of added funding to AC Milan over a three-year period. Li's group allegedly provided a false bank report during its

initial deal negotiations. A spokesman for Sino-Europe said Sept 23 that speculation about fake documents is "groundless" and that the group was considering legal action.

Sino-Europe would consider building a new stadium as part of its expansion plans. The consortium has been telling potential partners they could earn outsized returns if AC Milan eventually lists on a Chinese stock exchange, where companies trade at a premium to Western markets.

TRADE

Former WTO chief says EU likely to grant China market economy status soon

By CHEN YINGQUN
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The European Union will likely grant China recognition as a market economy soon, former World Trade Organization head Pascal Lamy said.

He made the prediction as the 15th anniversary of China's accession to the WTO approaches on Sunday.

Lamy, who was the WTO director-general from 2005 to 2013, said in Beijing that while the EU is likely to recognize

China's market economy status, it will also probably change its anti-dumping regulations in a non-discriminatory way.

As a condition for being admitted to the WTO, China agreed in 2001 that other members could treat it as a "non-market economy" for 15 years ending on Dec 11, 2016. This status has made it relatively easy for aggrieved parties to prosecute anti-dumping claims against China.

Lamy said that changing anti-dumping regulations has long been a subject of debate in the EU, and changes that are made are likely to affect not only China but all other countries that trade with the EU.

"I think the EU will recognize (China's market economy status), but in some way anti-dumping measures will be reformulated."

Lamy, who is now honorary president of the Paris-based think tank Notre Europe, played a key role in negotiat-



Pascal Lamy, former director-general of the World Trade Organization

ing China's admission to the WTO.

Reviewing the past 15 years, he said China has fulfilled the

commitments it made. As globalization has proceeded it has also increased the value it adds to the goods it produces, and that has been important in the country's economic growth, he said.

The country has pledged to open up more and wants to proceed with more economic reform, and that is a good signal, Lamy said.

He said he hopes more action will be taken soon, particularly regarding the services sector.

"Better service will come from more competition in the services industry. And, more competition in the services industry will come with more services being imported or foreign service providers establishing themselves within the Chinese system."

The opening up of trade is still the main trend in the world, he said, even if there is opposition in the EU to Chinese steel imports, and there is an anti-free trade backlash in the United States. Protection-

ism cannot guarantee people's livelihoods and social well-being but is in fact destructive and will not make a return, he said.

"Trade remains open. If you look at trade today, it is more open than yesterday, when it was more open than the day before, so the direction is right," he said.

Reducing obstacles to trade, whether multilaterally, bilaterally or regionally, should be the common goal for all organizations, he said.