

SCI China Market Update – December 2018

Dear friends,

Today Wall Street is finally smiling. A truce between U.S. and Chinese leaders on trade tariffs has boosted global markets, including the NYSE. At a post-G20 summit meeting in Buenos Aires, President Trump agreed not to raise tariffs on \$200bn of Chinese goods from 10% to 25% on 1 January. This is surely good news to our clients too.

It's said that part of the Trump–Xi deal is that China will buy a "very substantial" amount of agricultural, industrial and energy products from the U.S. Meanwhile, Beijing says the two sides agreed to open up their markets. The key of the deal is Trump agrees to keep U.S. tariffs on Chinese goods unchanged for 90 days, but he still warns: "If at the end of this period of time, the parties are unable to reach an agreement, the 10 percent tariffs will be raised to 25 percent."

According to the White House, both sides also pledged to "immediately begin negotiations on structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft".

Beijing's tone seems more upbeat on the Trump-Xi summit results. China says the two sides are working toward removal of all tariffs. China's foreign ministry said the two presidents instructed their economic teams to work toward this end following the meeting in Argentina.

President Trump, fresh from agreeing to a 90-day cease-fire in his trade war with China at the meeting of the G20, said on Twitter "China has agreed to reduce and remove tariffs on cars coming into China from the U.S. Currently the tariff is 40%". Such a move would bolster U.S. carmakers who were hit hard when China ramped up levies on U.S.-made cars in July as part of a broad package of retaliatory tariffs against Trump's moves.

So, what about your 2019 China market sales, investment, sourcing and development strategy? How about the Chinese economy today? Here is some very recent China market news from various public sources:

China's import-export value passes 2017 level as of mid-November

The total value of China's imports and exports already exceeded the full-year figure for 2017 as of mid-November, according to Beijing. The General Administration of Customs said in a statement on its website that as of mid-November, the total value of imports and exports had risen nearly 15 percent, compared with the same period a year earlier. It did not give a specific figure.

The value of China's Yuan-denominated imports and exports was 27.79 trillion Yuan in 2017, according to previously released customs data.

Boeing delivers 2,000th airplane to China

Top U.S. aircraft manufacturer Boeing Company on Friday delivered its 2,000th airplane to China, which is a milestone for the U.S. aircraft maker in the world's largest commercial aviation market. The aircraft, a Boeing 737 MAX, is the eighth of the same model that Boeing has delivered to Xiamen Airlines, a fast growing carrier that operates the largest all-Boeing fleet in China with more than 200 jets.

Boeing delivered its first 1,000 airplanes to Chinese airlines over four decades, but the next 1,000 Boeing jets have been delivered over the past five years. The next 20 years will witness China's commercial fleet more than doubled, and Boeing predicts China, the world's second largest economy, will need 7,690 new airplanes valued at 1.2 trillion U.S. dollars by 2038.

China embraces 37th airport with annual passenger throughput over 10 million

Hefei Xinqiao International Airport in East China's Anhui province officially entered the "10-million passenger club" at the end of November, the airport announced on Sunday.

The airport has become the 37th in China with annual passenger throughput reaching the 10-million level, the airport said. By the end of November, China has seen five more airports become members of the "10-million passenger club" in terms of annual passenger throughput this year. The other four airports were Ningbo, Wenzhou, Zhuhai and Shijiazhuang airports. By the end of 2017, China had 32 civil airports with annual passenger throughput reaching 10 million.

China approves new lithography machine for chip production

China has approved a high-resolution lithography machine that can produce chips as small as 22 nanometers, according to its developer.

The machine was developed by the Institute of Optics and Electronics under the Chinese Academy of Sciences. With double exposure technology, it is expected to manufacture 10-nanometer chips in the future.

Lithography machines are crucial to chip production, and China has long been lagging behind in this field. It is an important tool for the production of chips, metamaterials and third-generation optics.

Party's over: As margins tumble, China steel mills brace for hard times

Chinese steel producers ran up losses for the first time in three years this month as prices slid into a bear market on weak demand and near-record supply, ending years of solid profit margins.

China's steel production hit a record 82.55 million tonnes in October, but steel prices and margins have since shrunk as China dialed back on winter output curbs aimed at cutting smog, while demand weakened as cold weather slows the construction sector.

China grants market access to two more foreign financial institutions: regulator

China has given the go-ahead for two more foreign financial institutions to set up local subsidiaries, the country's banking and insurance regulator said in a notice on Sunday, bringing the total number of approvals to 12.

Germany's Allianz Group will be permitted to establish China's first foreign insurance holding company, and Hong Kong's Chiyu Bank has been approved to set up a branch in Shenzhen, the China Banking and Insurance Regulatory Commission (CBIRC) said.

China gives nod to UBS to become first foreign institution to gain control of Chinese brokerage

China's securities regulator said on Friday it has given UBS AG approval to increase its stake in its Chinese brokerage venture to 51 percent, making the Swiss bank the first foreign financial institution to gain control of a Chinese securities firm.

"This will be the first foreign-controlled brokerage approved by the securities regulator since the rules on foreign investment in brokerages were implemented," the China Securities Regulatory Commission said on Chinese social media website Weibo.

The move is part of China's wider efforts to deregulate its financial sector by gradually widening the approved scope of business for joint venture brokerages.

China's industrial robot output up 8.7% in Jan-Oct

China's industrial robot output increased 8.7 percent year-on-year in the first 10 months of 2018, slower than the 9.3-percent growth for the January-September period, according to official data.

A total of 118,452 units of industrial robots were manufactured January-October, according to the Ministry of Industry and Information Technology (MIIT). In October, robot output dropped 3.3 percent year-on-year to 9,590 units, the MIIT said, without explaining the reason behind the fall.

China's robotics industry has maintained rapid growth over the past five years. Industrial robot output surged 81 percent to exceed 130,000 in 2017, achieving the government's target three years ahead of schedule.

The country released a guideline in 2016 with a goal of tripling annual production of industrial robots to 100,000 by 2020.

For more information about today's China market and opportunities please visit our website at www.s-c-i.com or call me at [\(610\) 828-8061](tel:6108288061).

Best regards
Shiqiang Gu
President & CEO

Sino Consulting (SCI)
One Tower Bridge
100 Front St., Suite 1460
West Conshohocken, PA 19428
U. S. A.
Tel: (610) 828 8061
Fax: (610) 828 8801
Web: www.s-c-i.com