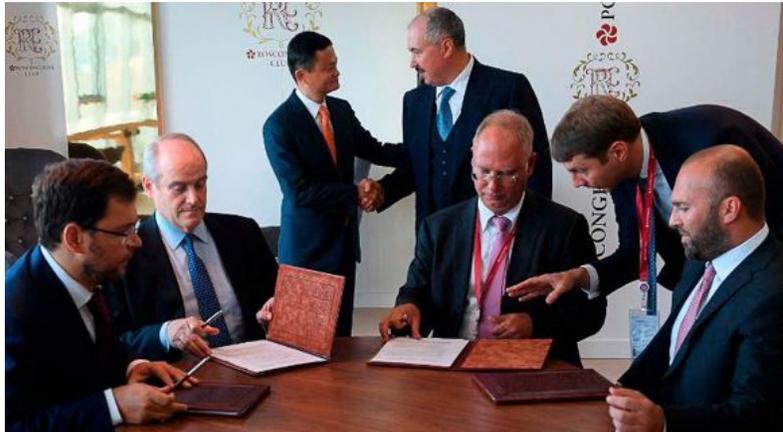


China focus
August 2018



retail & e-commerce



Alibaba chairman Jack Ma signing a deal with Russian partners at the Eastern Economic Forum

e-commerce

China strengthens
e-commerce cooperation
with Africa and Russia, led by
Alibaba

In advance of the Forum on China-Africa Cooperation (FOCAC) hosted in Beijing 3-4 September, Alibaba moved to boost its presence in Africa. The group plans to initiate an 'Africa Youth Entrepreneurship Fund' and launch a 'Global E-commerce Talent Program'. Song Juntao 宋君涛 Alibaba Group e-World Trade Platform (eWTP) programme director also announced detailed implementation plans will be coming soon to expand the eWTP to Rwanda, which is expected to further facilitate trade for small and medium enterprises in Africa. Song claims Alibaba is focusing on developing Africa's long-term capacity rather than maximizing profits.

At the Eastern Economic Forum held in Russia 10-13 September, Alibaba announced an 'AliExpress Russia' joint venture with two Russian companies and the country's sovereign wealth fund. The new deal is seen as a strong boost to China-Russia cross-border e-commerce cooperation.

E-commerce Law passed but
debate continue

At home, debate over the newly passed *E-Commerce Law* continued into this month, focusing on the legal liabilities of platform operators. The new law stipulates e-commerce platform operators assume 'commensurate liability' instead of 'joint and several liability'

or 'supplementary liability' for failing to protect consumer rights and interests. Xue Jun 薛军 Peking University Law School associate dean says that detail helps resolve disputes and reflects the flexibility of the law. However, some experts argue the term lacks clarity as to which circumstances corresponds to which kinds of liability, and that judicial interpretations will be needed to enforce the law.

With an extended scope to include all 'e-commerce operators' including those who use their own websites or social media platforms to sell goods, the new law intensifies scrutiny of the grey *daigou* channel. *Daigou* resellers, especially small ones, worry that their days are numbered because the new law requires them to

- register as business entities and pay taxes
- abide by export-import laws and regulations including *Food Safety Law* and *Product Quality Law*
- not deceive or mislead consumers with fake transactions or fake customer reviews
- not set unreasonable conditions for deposit return
- deliver within an agreed upon time period
- bear shipping risks

As small businesses will lose their price advantage, Cheng Jiuyu 程久余 ZWlawyer partner notes it is an irreversible trend that consumers will turn to bigger and more regulated sellers. It's likely that rising operational costs will be borne by consumers, Cheng continues. On the bright side, Cheng acknowledges that the regulations and penalties regarding counterfeits and after-sale services can protect customers better.

retail

In the past few months, concerns over domestic consumption downgrading were compounded by US-China trade war. National Bureau of Statistics data shows that China's retail sales of consumer goods, one of the main indicators of consumption, grew 9 percent y-o-y in August, slightly higher than the month before but still lackluster compared with rates before the trade war began.

Significant retail trends in September included

- online retail grew by 28.6 percent y-o-y from January to August, accounting for 17.3 percent of total retail sales
- service consumption maintained high momentum
- sales of petroleum products and daily necessities grew faster than other categories
- consumer prices rose moderately, by 2.3 percent y-o-y
- passenger car sales volume continued its downtrend by 4.6 percent y-o-y

State Council hopes to further boost consumption

Consumption is a major driving force of the Chinese economy, but consumption growth has slowed in recent years. To further tap consumption potential, CPC Central Committee and State Council issued new guidelines this month to expand service consumption, promote new consumption models and close the gap between urban and rural consumption. Following that guideline, a three-year plan (2018-20) with detailed measures will be introduced soon.

Observers believe that consumption upgrading will bring opportunities in retail. Lai Yang 赖阳 Jingshang Institute of Circulation Strategy says three types of enterprises will do well in the future – platform enterprises, companies that bring unique, personalised consumer experiences, and service providers that resolve the ‘last mile’ problem.

tourism

As trade and investment ties between China and Africa grow stronger, the continent is also gaining popularity as a tourist destination. China Tourism Academy, Ministry of Culture and Tourism Data Centre and a few big travel service providers released a report on China-Africa cross-border tourism on the sidelines of the China-Africa Cooperation Forum, noting that the number of Chinese tourists traveling to Africa increased by 70 percent y-o-y, and the amount of money per Chinese tourist spent in Africa has grown continuously over many years, reaching C¥24,803 during summer 2018, much higher than average for other destinations. Relaxed visa policies and newly launched air routes have helped boost travel to Africa, with 20 African countries and regions offering visa-free or visa-on-arrival policies and flights to more than 400 African airports in operation.

Chinese tourists embrace Golden Week travel

The row over the alleged ill-treatment of Chinese tourists in Sweden does not appear to have had a major impact on outbound tourism. China’s largest online travel service provider Ctrip predicts that about 7 million people will travel abroad during the weeklong national holiday in early October. Based on its sales data, Ctrip ranks Japan as the most popular destination. Asian countries dominate the top 10 destinations, followed by the US, Italy, Australia and Canada. Average spending on Ctrip products is around C¥7,300 per person, with tourists from Beijing and Shanghai willing to spend much more than the rest of the country.

other sector highlights

food and fibre

- rural revitalisation strategic plan (2018-22), anticipated since March, published 26 September
- grain reserve inspection already impacting companies and markets
- tightened environmental regulation influencing milk supply and reshaping dairies
- African swine fever impacts livestock feed

healthcare, medical technology and pharmaceuticals

- SDA and NHC address affordability of essential drugs
- details on internet medicine regulations

professional services

- Personal Income Tax Law amendment may fail to cut taxes and boost consumption
- SME financial burdens increase under income tax and social insurance changes
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international education

- constructing a curriculum based on socialist values
- campaign to raise awareness of the importance of science and scientific research

ICT

- MIIT launches open tender for the AI 2.0 megaproject
- Leading Group drafting plan for sci-tech development
- slower growth will not lead to a new phase of 'the state advances, the private sector retreats', says the state
- critical information infrastructure regulations to come out soon