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China's International Import Expo in Review

No Way Forward



The CIIE provided little clarity on a way forward for the US and China.

The China International Import Expo (CIIE), the country's first state-sponsored import promotion fair, concluded in Shanghai on Saturday. The CIIE appears to have been a boon for foreign sellers: over its six days, Chinese state-owned and private firms signed about \$58 billion in contracts and agreements with international companies. But the event, as a diplomatic venture, provided little clarity on how China would resolve its dispute with the US or manage its economic relations with other western economies.

The CIIE, along with the economic and trade forum that accompanied it, underscored the vast uncertainty that dominates the lead-up to this week's APEC meetings in Papua New Guinea and the G20 summit that convenes later this month in Buenos Aires, where US President Donald Trump and China's President Xi Jinping are scheduled to meet on the sidelines. While the US and Chinese bureaucracies are now cranking up for the resumption of talks, many insiders say that a halt to new tariffs and protracted discussions may be a best-case outcome.

Domestic Chinese media nonetheless marked the CIIE as a milestone in China's development agenda and its economic transformation from investment-led and export-oriented growth to "high-quality development" driven by consumption and industrial upgrades. The CIIE dominated a week that included the Zhuhai Air Show, the World Internet Conference in Wuzhen, the first Bloomberg New Economy Forum in Singapore, which saw China's Vice President Wang Qishan stress the need to open communication channels with Washington, and the US midterm elections.

Xi Pledges More

Xi once again defended globalization and free trade, making further promises to open up China's economy to foreign investment.

China's President Xi Jinping opened the CIIE with a keynote address on Day One. Despite China's diplomatic efforts, the audience included only a smattering of foreign state leaders, mostly hailing from developing nations, including Hungary, Egypt and Lithuania, as well as the Czech Republic and Russia.

Xi stressed strategic ambiguity, positioning China as a defender of globalization, free trade, and a rules-based international order. He reiterated the goal of opening China's markets further to overseas participation, pointing to recent cuts to the Negative List of sectors forbidden to foreign investment and moves to raise equity caps in the financial sector as signals of intent. But he provided few details on policies that would mitigate US and European business concerns. "Law of the jungle and winner-takes-all" practices "only represent a dead end," Xi said.

Many of Xi's pledges to open China's markets further were met with skepticism internationally.

China's leader promised that his government would lower tariffs, reduce investment restrictions and further broaden the local market to overseas companies in financial services, agriculture, mining and manufacturing, while accelerating liberalization in telecommunications. Foreign equity caps would be raised in the education and medical services sectors, Xi said, while penalties for IPR infringements would be strengthened. Imported goods and services would likely exceed \$30 trillion and \$10 trillion, respectively, in the next 15 years, according to the president.

Foreign business leaders and government officials responded with caution and skepticism, noting previous commitments had not been followed with significant action. While praising potential breakthroughs in education and medical services, the European Chamber of Commerce in China decried the absence of concrete measures. "This constant repetition, without sufficient concrete measures or timelines being introduced, has left the European business community increasingly desensitized to these kinds of promises," the Chamber said. Those hoping these might be announced by government ministries during the CIIE were left disappointed – it might be that China is saving its cards for the upcoming bilateral talks with the US at the G20. Though it could also be that it needs time to develop the rules and laws for national implementation.

Art of the Deal



Huge deals between Chinese buyers and foreign seller were likely agreed to before the CIIE took place.

On paper, the purchasing agreements, contracts and letters of intent signed between local and international firms look impressive – but they were designed that way. China's state-owned firms provided much of the ballast, under instructions to buoy proceedings with big-money deals, which covered the gamut, from energy, chemicals and food, to machinery, aerospace and telecommunications. Food giant COFCO announced agreements worth over \$1.44 billion to import agricultural produce from 29 countries and regions. China Aerospace Science and Technology Corporation and its subsidiaries signed contracts or letters of intent for 16 projects valued at \$720 million, covering logistics, security devices, new materials, sensors, new-energy and special-purpose equipment. China Eastern Airlines signed a \$1.44 billion engine and maintenance agreement with Rolls-Royce.

Chinese private-sector champions headlined several massive deals. E-commerce platform JD.com signed contracts worth \$14.37 billion to import branded products, while NetEase placed orders approaching \$2.87 billion from 110 international brands as part of their \$20 billion global purchasing plan. Alibaba announced a plan to import goods worth \$200 billion in the next five years to "meet the diversified demand for healthy and high-quality food in China."

Many of the deals were likely in the pipeline already, with announcements delayed until the CIIE. Xi's commitment that imported goods and services would likely exceed \$30 trillion and \$10 trillion, respectively, and Alibaba's five-year, \$200-billion plan for food impress. But, as we noted in our briefing last week (see "[China International Import Expo](#)"), China has already hit "peak exports" as it loses the competitive advantages behind its export-driven growth model. A rise in imported goods is inevitable. The CIIE was about China branding this shift as its own.

Domestic Success



Despite skepticism that the CIIE was a Chinese-government marketing event, many companies found attending useful.

For China, and many buyers and sellers in attendance, the CIIE was a success. Chinese organizers said the event attracted more than 3,600 companies from 172 countries and regions. Though some foreign companies reported that they felt having a booth compulsory, “out of fear of getting put on a hidden list somewhere,” many found it a critical opportunity for them to quickly boost their knowledge of the Chinese market, and to develop relationships with potential customers (especially as many of the products on show were not yet available in China, or were concepts not yet available anywhere).

While some companies reported lower sales volumes than they achieve at specialized trade fairs, the Ministry of Commerce was expecting this to be the case, but sees the CIIE as catalyzing purchasing at more specialized events. Contrasting with official reporting on the export-oriented Guangzhou Fair, domestic coverage on the CIIE did not focus on the value of the deals signed, but more on China’s gesturing that it wants to share its vast market with the rest of the world.

Chinese buyers, too, commented on the usefulness of the event. In many instances, it allowed them to have a more holistic, in-person understanding of the potential of products. Many local companies sent large groups of representatives to meet directly with sellers and examine merchandise, something that is usually impossible when products are displayed abroad. In addition to making pre-planned announcements, big domestic companies said they had the opportunity to meet new people, discover new opportunities, and explore future deals.

There can also be little doubt about the use of attending the CIIE from a government-relations perspective. Those that did not attend missed out on a critical opportunity to confirm their commitment to China and build China relationships, given the great importance China’s leadership attached to the event. Yet it is still unclear whether it will be given as much gravitas in the political calendar in 2019. When it comes around again, it might have become just another trade fair.



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