BUMPY ROAD
Automakers see sharp profit declines in H1
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TRADE BOOSTER
Guangxi economic zone to increase trade
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BIGGER IN BRAZIL
Chinese companies make inroads in nation
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ONE U$D EQUALS
SOURCE: REUTERS, 9PM THURSDAY

▲RMB	▲HKD	▲JPY	▼EUR	▲GBP	▲AUD	▲INR	▲CAD	▲KRW	▲THB	▲BRL
6.3840	7.7568	78.09	0.8245	0.6447	0.9690	56.01	1.0157	1146.29	31.65	2.0320

Government stresses quality for FDI, ODI

Energy, mining, agriculture are key sectors for outbound investment

By ZHENG YANGPENG
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China will shift its direct-investment focus, both foreign and outbound, to quality instead of quantity, an economic planning guideline said on Tuesday.

INVESTMENT

The National Development and Reform Commission, the country's top economic planning agency, outlined the nation's FDI and ODI development plan for the 12th Five-Year Plan (2011-15). The commission vowed to bring home advanced foreign technology, talent and management when attracting foreign capital.

To that end, China will encourage multinationals to set up regional centers, R&D centers, procurement centers and financial management centers. China will also encourage foreign companies to invest in advanced service sectors, such as modern logistics, software development, engineering design, consultancy and intellectual property service industries, the document said.

The country will strictly limit foreign investment in industries that consume a lot of energy and resources, and high-pollution industries.

"China is transferring from embracing foreign investment to selectively embracing foreign investment, in a bid to upgrade and improve the economy," said Huo Jianguo, president of the Chinese Academy of International Trade and Economic Cooperation.

The guideline acknowledged several hurdles to meeting this goal. One major problem is the inability to transform the large amount of FDI to China's own technological strength.

"In past years, the surging FDI preferred single ownership in China, which made the technology spillover effect hard to occur," Huo said. "Other joint ventures, targeting China's labor advantages or the consumer market, provided few chances for technology spillover."

Huo said China should ramp up its R&D ability and improve its innovation environment, which would help Chinese firms cooperate with foreign firms on technology.

The document said the government will guide foreign capital into healthcare, culture and tourism sectors, but will be more cautious in finance, securities and telecommunications.

Huo said there are still reservations within some service industries about opening to foreign capital.

"But I believe there will be breakthroughs during the 12th Five-Year Plan. We will see more openness and competition. After all, nearly half of foreign capital seeks to enter China's service sectors," Huo said.

While stressing attracting quality foreign investment, the document also urged improving the quality of outbound investment.

It said China will encourage investment in overseas high-tech and advanced manufacturing. The country will also seek to acquire foreign intellectual property rights through acquisitions, equity participation, joint ventures, and establishment of its own overseas R&D centers.

Energy, mining and agriculture are identified as the key sectors that Chinese investors are encouraged to invest in abroad.

Meanwhile, the document also noted difficulties facing China's outbound investment

ZHEN HUAI / FOR CHINA DAILY

A wall of Chinese and international company logos in Nanjing, East China's Jiangsu province. A government policy document called for quality FDI, and encouraged multinationals to set up R&D, procurement and financial management centers in China.

"As China's might increases, there is growing skepticism toward China's overseas investment and subsequent restrictive practices," the document said.

Political instability in some countries also raised the potential risks of China's investment, it added.

Zhang Jianping, a researcher with the Academy of Macroeconomic Research under the NDRC, said encouraging more private and small and medium-sized enterprises to engage in foreign investment is a way to counter the skepticism and restrictions, which China's State-owned enterprises often encounter.

"The government should offer more consulting for private firms and SMEs which aspire to invest abroad, and match up SOEs and private firms to jointly explore the foreign market," Zhang said.

Wanda's AMC deal gets nod from regulators

By HUANG YING
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Dalian Wanda Group Co Ltd, the operator of China's largest movie theater chain by box office revenue, and AMC Entertainment Holdings Inc, jointly said on Wednesday that they have received all necessary regulatory approvals in the United States and China for the planned acquisition of AMC by Wanda.

DEALS

Wanda and AMC received a notice from the Committee on Foreign Investment in the US that it had cleared the transaction, and the companies had previously received notification from the US Federal Trade Commission of early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act in relation to the transaction, according to the announcement.

2.6 billion dollars
the amount paid by Wanda for the AMC acquisition deal

The two companies said that they expect to complete the deal at the end of August.

The $2.6 billion deal gained approval from China's top economic planning agency — the National Development and Reform Commission — in June. The Ministry of Commerce and the State Administration of Foreign Exchange also gave Wanda approval to proceed with the planned acquisition.

The Chinese private conglomerate signed an agreement with AMC, the world's second-largest theater chain, in May, after two years of negotiations.

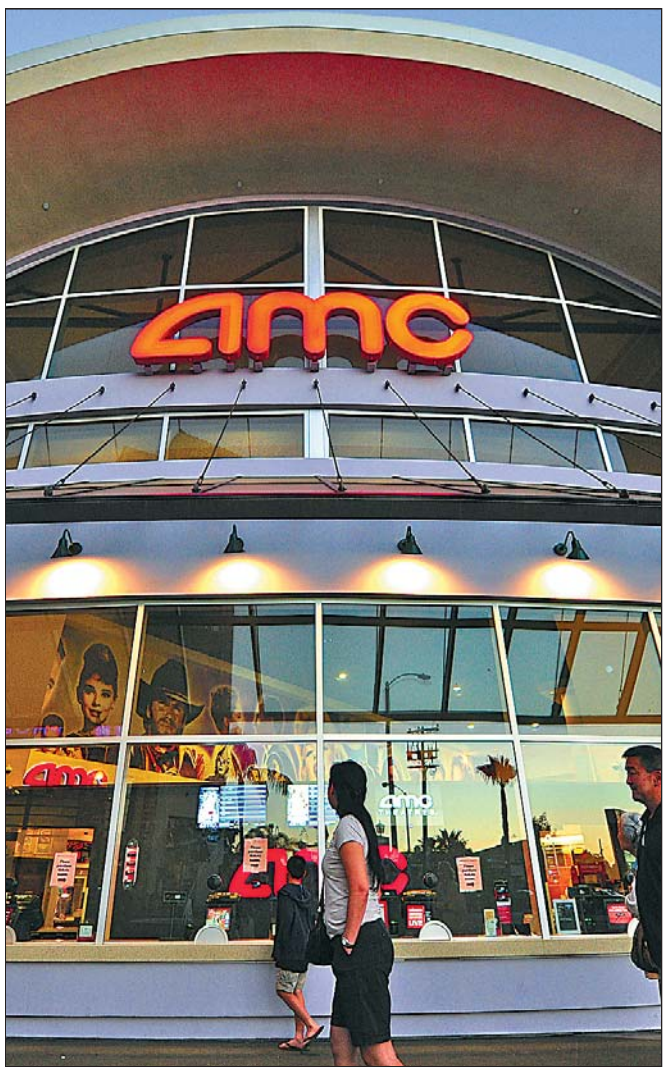
Wanda paid $2.6 billion for the acquisition and promised to invest up to an additional $500 million in AMC to fund its strategic and operating initiatives. As part of the transaction, Wanda has to assume the debt of the US cinema chain.

"This acquisition will help make Wanda a truly global cinema owner, with theaters in the world's two largest movie markets," Wang Jianlin, chairman of Dalian Wanda Group, said at the signing ceremony of the deal.

Gerry Lopez, chief executive officer and president of AMC, said: "As the film and exhibition business continues its global expansion, the time has never been more opportune to welcome the enthusiastic support of our new owners."

Wanda Cinema Line currently owns 86 cineplexes and 730 screens, of which 47 are IMAX screens, and it intends to expand its chain to more than 200 cineplexes with 2,000 screens by 2015, according to a statement on Wanda's official website.

AMC operates 346 multiplex theaters with 5,028 movie screens. As the world's largest operator of IMAX and 3D screens, it owns 120 IMAX screens and 2,170 3D screens, according to an official statement jointly released by Wanda and AMC.



FREDERIC J. BROWN / AFP

A movie theater of the US cinema chain AMC Entertainment Holdings Inc in Monterey Park, Los Angeles. China's Dalian Wanda Group is set to complete the acquisition of AMC at the end of August after getting regulatory approvals for the deal.

Wanda generated revenue of 56.21 billion yuan ($8.8 billion) in the first half of the year, a year-on-year decline of 9.1 percent, and its total revenue for the whole year is expected to reach 140 billion yuan, Wang said at a meeting reviewing the company's work in the first half of the year.

However, its cinema chain arm reported year-on-year growth of 61 percent, according to the company.

Wang also revealed at the meeting that AMC, which has suffered losses for three consecutive years, returned to profitability in the first half of the year with Wanda's injection of capital. He added that it was a "considerable" amount of profit.

Wanda will continue to seek overseas investment opportunities around the globe in the next five to 10 years, especially in sectors such as culture, tourism and retail.

By June 30, Wanda had opened 50 Wanda Plazas and runs 28 five-star hotels.

Xinhua contributed to this story.

Policy support urged to fight downside risks

By CHEN JIA
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The downside risks of the Chinese economy are likely to remain in the coming months — amid deteriorating global growth and the domestic overcooling of the real estate market — which should prompt the government to coordinate its recovery macroeconomic policies with other countries, an IMF economist said.

ECONOMY

"Beijing has enough fiscal space to contend with the risks, and the biggest challenge is to rebalance the economic growth because depending only on investment is not sustainable in the medium term," Il Houng Lee, senior resident representative of the International Monetary Fund in China, said on Thursday.

Ongoing policy fine-tuning can be adapted to China's current economic growth situation, which is expected to support the rebound starting from the third quarter, meaning that the government may put off launching a new stimulus package, according to Lee.

"It's likely that the authorities may accelerate the rate of lending and that the dropping inflation may lead to further interest rate cuts."

The IMF released a report on Wednesday, saying that the world's second-largest economy may see a "soft landing" this year, with a forecasted GDP growth of 8 percent.

According to the preliminary manufacturing purchasing managers' index, conducted by HSBC, operational conditions in the sector may have recovered in July, with the figure increasing to 49.5 from June's 48.2.

However, the external environment, amid the deepening eurozone debt crisis, is uncertain, which may slow the rebound of China's economy, Lee said.

"The problems of the European banks' assets quality should be solved soon to encourage market confidence," Lee said.

Major economies should also take steps to support each other to limit the potential downside risks, he added.

And because the central government has said many times recently that the property control measures are "not likely to ease", the real estate market may suffer a fast cooling in the future, while the banks' liability ratio may see "worse-than-expected deterioration", the IMF economist said.

The tracker of China's biggest listed companies slumped to the lowest point since March 2009. The Shanghai Composite Index decreased to 2126 points at Thursday's close.

A gauge of property stocks in the Shanghai Composite Index dropped 1.6 percent to its lowest close since April 11, with the share prices of the country's biggest listed property developer China Vanke Co declining 2.1 percent and Poly Real Estate Group Co's shares dropping 3.9 percent.

And investors' confidence may not bounce back soon as the central government pledged to prevent a rebound of housing prices by keeping the tight policies, economists said.

Meanwhile, the State Council approved an investment guideline on Wednesday to support economic growth in the country's central regions, including Hunan, Hubei and Henan provinces. However, it didn't mention the exact amount of investment or specific projects.

Changsha, capital city of Hunan province, will inject 829 billion yuan ($131 billion) into 195 large projects and 155 medium-sized projects, to boost GDP growth. The investment will be mainly in infrastructure construction, including airport and urban transit projects.

"This investment opens the door for local governments' stimulus packages," said Zhang Zhiwei, chief economist at Nomura Securities Co Ltd.

"More local governments may follow suit to stimulate their regions," Zhang said.

"But we need to wait for data on new loans and investment over the next several months to find out how big this stimulus is in reality," he added.

Huang Yiping, an economist with Barclays Capital, wrote in a recent research note that "further policy measures may be required to stabilize economic growth at 7.5 to 8.5 percent".

Even so, the support from the central government's fiscal transfers is still uncertain. Also, the availability of funding could be a constraint to the policy effectiveness considering the continued bank caution on lending, Huang said.