More tycoons behind bars

Baofeng’s boss Feng Xin and a string of other prominent Shanghai business leaders have been arrested in recent weeks – does it signal a new factional purge?
Battle of the Bund begins

Why business bosses in Shanghai have been losing sleep

Chinese leaders have regularly relied on anti-corruption campaigns to eliminate adversaries and consolidate power.

In 1951 Mao Zedong launched the “Three-Anti” campaign, targeting fellow cadres under the title of rooting out corruption and waste.

A year later he unleashed a new “Five-Anti” effort, expanding the focus to private sector businessmen. As China’s commercial capital, Shanghai was particularly hard hit.

Tens of thousands of landlords and entrepreneurs were prosecuted for crimes ranging from bribery and tax evasion to the theft of state-owned assets. With their businesses nationalised and their assets confiscated, hundreds of people killed themselves during the initial months of the campaign.

Over the last 40 years Shanghai has regained its commercial crown and re-emerged as China’s biggest onshore financial hub. However, business bosses there have reason to feel a little restless, after a flurry of arrests of local tycoons.

That’s increasingly stoking a view among more politically sensitive investors that President Xi Jinping’s longrunning anti-graft campaign is paying particular attention to a key faction with its roots in the coastal city.

The latest big-name catch...

Dai Zhikang, the boss of conglomerate Zendai Group, turned himself in to police this month, confessing to fraud at his peer-to-peer (P2P) lending business.

P2P platforms connect investors looking for higher interest income with borrowers having problems getting conventional bank loans. The Chinese P2P sector had grown rapidly in the past few years – with new lending platforms mushrooming across the country. This alarmed regulators which more recently have tightened oversight of this key area of shadow banking.

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Issued by the Hongkong and Shanghai Banking Corporation Limited
Talking Point

Dark clouds over Shanghai as a series of business tycoons are detained for corruption and embezzlement

ums for P2P platforms in China have plunged from a peak of Rmb253 billion in June 2017 to about Rmb90 billion this July, according to industry monitor wdzj.com.

The country’s biggest P2P platform, Ping An Insurance’s Lufax, is scaling down its P2P business, and refocusing on other areas including fintech and consumer lending (see WiC457). Many lesser players have simply folded after their bosses fled the country (see WiC422).

Dai’s troubles became public last month when Laocaibao, his P2P business, announced that it would suspend its operations. By the end of July more than 28,000 investors had lent money to almost 100,000 borrowers through the platform. Outstanding loans amount to Rmb5 billion ($700 million).

Late last month the 55 year-old tycoon had announced on Laocaibao’s website that he would personally lead a restructuring. There was no need to worry about him “running away”, Dai told investors, because a disappearing act would jeopardise Zendai’s “27-year reputation in the finance industry”. However, hundreds of investors still crowded Zendai’s offices in Shanghai demanding reimbursement. The mood was so tense that it prompted intervention from the Shanghai police.

According to a statement by Shanghai’s Public Security Bureau, Dai surrendered after the police body took “coercive measures” against the businessman and his firm. He has already confessed to illegal fundraising and embezzlement. At least 40 other people have also been detained in relation to the case.

“The exit of Lufax and the collapse of leading platforms [such as Laocaibao] has lifted the curtain for the ending of the P2P industry,” concluded China Fund, a newspaper focused on the asset management industry.

Why is Dai’s story significant?

Born in 1964 in Jiangsu, Dai was admitted to the elite Graduate School of the People’s Bank of China in the 1980s. After spending several years in the state-run banking system, he departed for the private sector and started China’s first “public mutual fund”.

The venture gained him a place in the “class of 92” – a grouping of entrepreneurs who went on to have success after the country’s economy was rebooted by Deng Xiaoping’s Southern Tour in 1992 (see WiC136). Thanks to his entrepreneurial longevity Dai commanded a higher standing than many younger but more successful members of the Shanghai business elite – a group that typically encompasses tycoons from the traditionally affluent regions of Shanghai, Hangzhou, Ningbo and Jiangsu.

Take Jack Ma, who was born in Hangzhou in the same year as Dai. The Alibaba founder has dominated the headlines this week with his official retirement as chairman of China’s biggest e-commerce firm. Yet back in 1998, it was Dai who sold Ma the apartment next to Hangzhou’s scenic West Lake, where the 18 so-called “lakeside partners” later co-founded Alibaba (according to Dai, the feng shui at the property is so excellent that Ma registered his key business units at that company address).

Dai is probably best known for developing Pudong’s Himalayas Centre, a commercial complex with an art museum (see WiC75). He was also a major patron of Shanghai’s contemporary art scene. But Zendai’s commercial expansion in
the city – notably paying a record-breaking Rmb9.2 billion in 2010 for a piece of land on the riverside Bund – took it into a challenging sector. Financial trouble followed and Zendai sold its stake in the Bund project a year later. Then there was a spectacular change in direction: a $7.8 billion project to transform a district of Johannesburg into the “New York of Africa” (see WiC 218).

Plans by property developers to move more of their funds into foreign real estate projects like these then ran into a roadblock when Chinese government policy became more concerned about capital flight in 2017. Not much has happened in Johannesburg, the South African media reported earlier this year, except for the release of some “futuristic computer-generated images”. Perhaps that was why Zendai switched focus to P2P loans a couple of years ago, China Fund reported, a decision that has undone Dai’s storied career.

“Dai was once more prominent than Jack Ma but now he has completely fallen from grace,” an article on 36Kr.com concluded this week.

A brewing storm?

Barely a day after Dai turned himself in, Shanghai authorities made another major announcement: Baofeng Group’s boss Feng Xin had also been arrested and this time charged with bribery.


At that time the A-share market was in overdrive. Riding the bull run to perfection, Baofeng’s share price climbed by the 10% daily limit for 34 of the 40 trading sessions following its debut. That 40-times spike pushed Baofeng’s market value beyond Rmb40 billion and earned the company the brief but dubious title of the “the number one demon stock”.

In fact, the connotation is negative: “demon stocks” typically display logic-defying lurches in share price, usually as a result of insider dealing. And when regulators set out to skin the “demons, evil creatures and financial crocodiles” in the stock market (see WiC356), Baofeng’s share price collapsed. Valued at Rmb1.8 billion as of this week, its story is often used by pundits to warn against the risks and volatility of Chinese stocks.

What has Feng done wrong?

Feng was taken into police custody for “suspected crimes”, Baofeng acknowledged in a circular to P2P loans the same week, and the shares price collapsed. Valued at Rmb1.8 billion as of this week, its story is often used by analysts to warn against the risks and volatility of Chinese stocks.

Feng Xin: the boss of Baofeng has been charged with bribery

LeEco was still in good shape and Feng was talking about the prospect of emulating Jia’s business model and turning Baofeng into an internet-to-sports conglomerate.

It wasn’t the best example to follow. Jia fled China two years ago after running up massive debts at LeEco and there was more news on his difficulties this week when he stepped down as CEO of Faraday Future, an electric carmaker he was counting on for a reversal in his fortunes.

On social media Feng has been bestowed with the undesirable nickname “Jia Yueting II” and earlier this year analysts were suggesting that Feng had also plunged Baofeng into a debt crisis.

Following the news of his arrest, Feng has found himself facing far more serious allegations. Baofeng’s troubles started with a Rmb5.2 billion deal in 2016 to acquire a 65% stake in London-based sports rights dealer MP & Silva (MPS). At the time Chinese firms were undertaking an unprecedented M&A binge overseas. But in a fate similar to other big spenders such as Anbang’s Wu
Xiaohui, Baofeng’s spree incurred the wrath of Chinese regulators. The sports deal was a highly leveraged one, financed by a wealth management product (WMP) – another shadow banking tool that’s been subjected to a regulatory crackdown in recent years. In Feng’s case a special vehicle was set up to raise the required funds (Rmb5.2 billion) by selling WMPs to third-party investors. MPS was valued at $1.4 billion, but Baofeng only needed to chip in about Rmb60 million on the purchase, while two senior partners – units of state-owned financial heavyweights China Everbright and China Merchants Bank – coughed up the bulk of the financing.

Baofeng promised to pay off its partners within 18 months but it never honoured that obligation as soon after the deal closed MPS went under. It had secured TV rights for popular sports events such as top-flight European football and Grand Slam tennis. Yet many of its most lucrative contracts were running out when Feng knocked on the door. Worse, MPS started to miss payments to the relevant sports bodies and key executives jumped ship. In late 2018 it was liquidated by a British court.

Baofeng’s disastrous M&A dealings have stoked a brewing storm in Chinese financial markets. Everbright Securities wrote off Rmb1.5 billion of its MPS investment last year, while China Merchants Bank has sued another Everbright unit for Rmb3.5 billion for failing to meet contractual obligations. A Shanghai court put Baofeng on a “dishonesty blacklist”, a category created for individuals and firms which have failed to repay their debts (hence the comparison with Jia Yueting).

There were more damaging allegations after Feng’s arrest last month, when Caixin Weekly reported that several Everbright executives had also been detained by authorities for accepting bribes. And in a signal of how far Baofeng’s star has fallen, ThePaper.cn noted that not a single shareholder bothered to show up at an emergency general meeting last month (just five of its 70,000 or so shareholders bothered to vote online).

Who else has been locked up? A number of other high-profile arrests in Shanghai over the past few months have already rattled investors. In one of the detentions, billionaire Wang Zhenhua was arrested by police in July on allegations of child molestation at a hotel in Pudong. The 57-year-old made a televised confession via state broadcaster CCTV a few days later.

Wang’s detention also inflicted serious damage on investors in his property group. The share price of his listed vehicles in Shanghai and Hong Kong, respectively Seazen Holdings and Fortune Land, both plummeted and billions of dollars of market value have been wiped out as a result.

The stock price of Camsing International, a Hong Kong-listed media firm that owns Stan Lee’s POW! Entertainment, also dived nearly 80% in a single session in early July after its founder and chairwoman Lo Ching was also detained by Shanghai police.

Lo only took control of Camsing in 2015 and two years later became the biggest shareholder in Shanghai-listed financing firm Jiangsu Boxin Investing. According to Shanghai Securities News, she has been financing her stock market dealings by selling WMPs linked to supply-chain financing (securities backed by corporate accounts receivables). Her detention has sparked fears that billions of yuan raised by Camsing through these products are backed by falsified accounts, the state-run paper said.

This inglorious list of fallen tycoons still seems to be growing. Indeed Caijing magazine reported last month (before Dai’s surrender) that 14 chairpersons or controllers of A-share firms had been detained or put under official investigation by regulators.

Most of those are in trouble for similar reasons, Caijing observed, as the Chinese government has been trying to restore order in the finan-
Talking Point

Social system in three ways: clamping down on questionable overseas M&A; rooting out improper conduct in the stock market; and deleveraging shadow banking activities such as P2P and WMPs. Yet the magazine still believed the current situation is unusually intense. “A listed firm’s chairperson is evidently a highly dangerous role,” it reckoned. “The crime rate in this profession for the first eight months of this year has vastly exceeded the national average.”

Other observers wonder if it is more a case of high-level political infighting in Beijing spilling over into the business world in Shanghai. In the political hierarchy, the so-called ‘Shanghai Gang’ was the dominant faction in the central government during the leadership of former President Jiang Zemin, a long-time Party boss in Shanghai. The faction’s power has waned significantly since – notably after Chen Liangyu, another former Party boss in Shanghai, was disgraced by an anti-corruption probe in 2006.

Since Xi Jinping began his anti-graft campaign in 2013 – assisted by the ever-vigilant Wang Qishan – a host of factions has been struck down or sidelined (one early casualty was the ‘Shengli Gang’, an oil-sector-based faction led by purged Party elder Zhou Yongkang). But in the first six years of graft-busting Shanghai had seemed relatively untouched by investigators – which makes the news of the recent arrests in the city more significant.

That’s what’s led some to speculate that we might see the term ‘Shanghai Gang’ creeping into the news headlines in the near future.

Proud as punch

It took just 42 seconds for Zhang Weili – nicknamed Magnum – to become China’s first UFC women’s champion. She did so at the Shenzhen Universiade Centre, knocking out Jessica Andrade, a Brazilian, to win the strawweight belt in the mixed martial arts franchise late last month.

Chinese media was enthused by the 52kg fighter’s victory. Sina said that Zhang had “created history for Chinese professional fighting”, citing remarks from UFC president Dana White that few thought she would triumph.

“Tonight, Zhang’s performance was so good and so big, people were watching this fight in Canada, the United States, Brazil, the Middle East. Weili Zhang became a huge star tonight globally, not just here in China,” he added.

White says Zhang will now defend her title in the United States, although the date has not been finalised. One complicating factor is getting travel visas for her coaching team. Before she fought in Las Vegas last August Zhang initially had her visa rejected, before being allowed entry in the ‘athlete’ category. However, her Thai coach has had four separate visa requests rejected. As a result Zhang prefers fighting in China: “Because you don’t need to consider the coach’s visa; and you don’t need to consider the time difference, diet and other issues – the diet in the US is relatively cold, and I am not used to it,” she explained.

Zhang’s rise to the top is something of a fairytale. The daughter of a coal miner she was keen on martial arts from a young age and won regional championships in Hebei province. However, an injury led her to retire from the sport at 17 and she started to work in a series of jobs that ranged from kindergarten teacher to bank cashier.

When she later took up fitness coaching at a gym she started training again and switched her full attention to mixed martial arts in 2013. She still struggled with injuries but persevered, getting the UFC’s attention when she beat South Korean champion Ye Dam Seo in 2017.

Zhang’s victory over Andrade saw her receive a $50,000 bonus from the UFC.
Pork prices surge 47%

The major news items from China this week were...

1. China’s consumer inflation hit 17-month peaks in August, pushed up by pork prices that were 47% higher than a year ago and 20 percentage points above July’s. The surge cranks up the pressure on scientists to find a remedy to the African swine flu epidemic, which is laying waste to the nation’s pig farms. On Tuesday the Chinese Academy of Agricultural Sciences said that it had made headway on a potential vaccine, which will undergo bio-safety tests at the Ministry of Agriculture before progressing to clinical trials.

2. The foreign exchange regulator SAFE has announced an end to limits on investment quotas for Chinese stocks and bonds for Qualified Foreign Institutional Investors (QFII) and Renminbi Qualified Foreign Institutional Investors (RQFII). Supporters of the move described it as accelerating the opening up of China’s financial sector. But an opinion piece on Bloomberg from columnists Shuli Ren and Nisha Gopalan took a different view. “Scraping the quota is less a confident liberalisation by a maturing economy and financial system than an overt admission that the country needs money,” they argued. “China has been edging dangerously close to twin deficits in its fiscal and current accounts. It needs as much foreign capital as it can get – even in the form of hot portfolio flows – to keep control over the balance of payments and avoid a further build-up of debt.”

3. The People’s Bank of China has appointed a new head of its digital currency research institute, which is being seen as a signal that the central bank is about to launch its own digital currency. Analysts say that users of the currency will have the option to download a digital wallet on their mobile phones and load cash from their accounts at the commercial banks. Unlike cryptocurrencies, China’s digital cash won’t have the presumption of anonymity. The PBoC also wants to avoid a situation in which the Chinese come under pressure to adopt an external standard, like Bitcoin or Facebook’s Libra.

4. Data centres in China now emit the same level of carbon emissions as 21 million cars, CNN reported. Quoting from a Greenpeace study that calculated that the data centres consume 3% of China’s electricity, the news agency said that only five of the 44 locations surveyed used clean energy in their power supply mix. The report also predicted that data centres in China will consume two-thirds more energy within five years, demanding more power than the total electricity consumption in Australia last year.

5. China Labor Watch, which investigates conditions in Chinese factories, has alleged improper practices at the Foxconn plant in Zhengzhou that makes half of the world’s iPhones. The main allegation is that temporary staff accounted for about half of the workforce in August, breaching labour laws, which set the maximum at 10%. Apple responded quickly, saying that an investigation had confirmed that the percentage of casual staff “exceeded our standards” and that it was “working closely with Foxconn to resolve this issue.” Apple unveiled its latest smartphone, the iPhone 11, on Tuesday.
In Finland, ‘Happy Hour’ isn’t just a marketing ploy for bars to sell more booze. Around nine o’clock every evening, S-market, a supermarket chain, offers deep discounts on hundreds of items that are hours from their midnight expiration dates in all of its 900 outlets. It’s part of the supermarket chain’s two-year campaign to reduce food waste.

Alibaba’s Hema Fresh should probably consider a similar strategy for China. That’s because last week, the artificial intelligence-powered supermarket chain came under fire when a shopper posted a video on weibo showing employees at a Hema outlet throwing away prepared food that looked perfectly edible and fresh. The video quickly went viral, with many netizens complaining that Hema was wasting resources and abusing the environment.

“There are many parts of the country that are very impoverished and struggle with food shortages. Even in the cities, a lot of people find it difficult to keep up with the high cost of living. So it is hard to imagine food that can be eaten is instead thrown away. That’s such a waste of resources,” one netizen lambasted.

In light of the controversy, Hema said in a statement that it has no choice but to destroy the food owing to food safety requirements. It added it has tried to minimise wastage but admitted that there is room for improvement.

Industry observers, too, argue that when it comes to food safety, destroying unsold food is not only the cheapest but also the safest practice. After all, supermarkets cannot sell expired goods.

While Hema was trying to extract itself from this PR mess, its parent Alibaba made yet another acquisition to expand its e-commerce footprint. Last week, the e-commerce giant announced that it had acquired NetEase’s Kaola for $2 billion. After the deal, Kaola will be integrated into Tmall, creating China’s largest cross-border e-commerce platform (on these sites Chinese consumers buy products from sellers in other countries).

At the moment, Kaola and Tmall Global are China’s largest and second-largest cross-border e-commerce platforms, respectively, holding 27.7% and 25.1% of the market in the first half of the year, according to data from iiMedia. Their merger will create a business far surpassing rivals like JD Worldwide, which ranked third with a 13.3% share, VIP International and Amazon China.

Still, the sale has caught many by surprise. With revenue from the gaming business slowing – traditionally the biggest sales generator for NetEase – e-commerce has been a rare bright spot for the internet firm (albeit controversies had dogged Kaola; see WiC 438 and WiC446). In the second quarter of this year, Kaola saw its net income rise 20% to Rmb5.2 billion ($734.5 million). By comparison, profits for NetEase Games went up a lesser 13.6% during the same period to Rmb11.4 billion.

“If you’d asked anyone before August this year whether NetEase was looking to sell Kaola, they would think it was a joke. Since its inception in 2015, Kaola has maintained its pole position in cross-border e-commerce in China,” observed 36kr, a portal.

However, e-commerce remains a pretty low-margin business. In the most recent quarter, Kaola’s gross margin was around 10.9%. Despite the decline in gaming revenue, gross margins for that business remained high at 62.8%.

“E-commerce is a money-burning business: all the logistics and warehousing are costly. There is also intense competition from Alibaba and JD.com. In the past two years, the growth rate has slowed and Kaola’s gross margin rate also remained only around 10%. By the fourth quarter, margins will take an even bigger hit because of Singles’ Day,” Sohu commented.

“Despite the fierce competition between Kaola and Tmall International, the latter has always focused more on the beauty sector while Kaola is known for baby and maternity care products. And because Kaola is the market leader in cross-border e-commerce, it already has a highly loyal user base. So all in all, the acquisition is a win-win on both sides,” reckoned TMT Post, a tech portal.

All told, it was an appropriate closing chapter in Jack Ma’s last week at the helm of Alibaba.
Bank of East Asia's chairman David Li isn’t viewed as an active investor in stocks. Yet the veteran banker has been taking a keen interest in Guangdong Investment (GDI), a state-owned enterprise described by some analysts as one of the best of the “Greater Bay Area concept stocks”.

Since June this year Li has raised his stake in GDI six times, spending nearly HK$42 million ($5.4 million). So much so that Apple Daily wondered whether the 80-year-old might have invested more money in GDI over the period than in the Hong Kong bank that he chairs.

Li, who owns a 0.35% stake in GDI, is no stranger to the company’s business. He has served as an independent director since 1998, after helping the Guangdong government to restructure $4 billion of debt in the controversial company that preceded it (then better known as GITIC).

GDI has since become one of the lower profile SOEs on the Hong Kong bourse. Yet it has been delivering stable returns for its investors, with its share price increasing 14 times over the past 20 years. And a punchy 60% rise since 2017 – when the State Council first unveiled the Greater Bay Area (GBA) concept – has taken its market value beyond HK$100 billion for the first time.

There’s good news from bond investors too. According to Securities Daily, GDI’s non-listed parent Guangdong Holdings has just raised Rmb600 million ($84.61 million) to finance the development of a new high tech zone in Dongguan, one of the nine mainland cities designated as members of the GBA. Highlighting the group’s perceived creditworthiness, the coupon paid on the 10-year issuance is just 4.4% (real estate developers typically pay double digits, if they are allowed to sell bonds onshore at all).

Investor confidence stems from the strong cashflow generated by GDI’s utility businesses, Securities Daily said. The company owns a 95% stake in the Dongshe Water Supply Project, which supplies water to a number of cities in the GBA from the Dongjiang basin system in Guangdong (see WiC353 for more on Hong Kong’s reliance on Dongjiang, which provides 80% of its water).

The water project was the key asset injected into the group during the restructuring 19 years ago. It contributed almost two-thirds of its HK$13 billion in revenues last year, although analysts also see potential in some of GDI’s property and highway businesses, on the assumption that the GBA’s economy will develop strongly in the years ahead.

The recent rally in GDI’s share price means that it is now valued higher than the other big utilities in Hong Kong. Apple Daily noted, trading at more than 20 times its 2018 net profit.

GDI negotiates its water supply contract with the Hong Kong government in three-year terms. The current contract expires by the end of next year, so negotiations are likely underway for a new deal. A steady increase in the water prices paid in Guangdong in recent years, as well anticipated increases in demand from the region’s economy, could give GDI the leverage to ask for a higher price again.

Some of the Chinese newspapers have also been giving the Dongjiang water project more prominent coverage. The giant pipelines started pumping water to Hong Kong in 1965, China News Service reported last month, providing more than 25 billion cubic metres of fresh water to the city over the past 50 years.

Part of this message is that while Hong Kong has been the main beneficiary, sacrifices have been demanded of people living near Wanlu Lake, the key contributor in the Dongjiang basin. Restrictions on economic development in the region have ensured a potable supply for Hong Kong but held down local residents’ potential incomes. The unwritten subtext is that the water won’t be so cheap beyond 2020.
A new Iran plan

China to invest $280 billion in Iranian oil

When China introduced a 5% tariff on imports of US crude this month, it seemed a self-defeating move. Although it might hurt the world’s largest oil and gas exporter – the US took that mantle from Saudi Arabia this year, CNN says – it would surely harm the world’s largest importer of oil even more.

China’s largest refiner, Sinopec, was one of the first into the firing line, having tried to take advantage of an apparent lull in Sino-US tensions to restart oil imports earlier this summer. According to Bloomberg, at least six supertankers filled with US crude were en route to China when the new tariffs were announced this month. This stranded several in Chinese coastal waters as Sinopec left the oil on board rather than pay the pricy import tax. (Sina quoted a source as saying that the new tariff will add $3 a barrel to the cost of the crude in the tankers.)

Late last week more of Beijing’s reasoning became clearer after Petroleum Economist magazine reported that the Chinese are planning to invest $280 billion in Iran’s oil, gas and petrochemicals sector over the next five years.

The magazine cited a senior official from Iran’s Oil Ministry, who said that the commitment was confirmed during a visit from foreign minister Mohammad Javad Zarif to China in August.

The deal, which had been initially negotiated in 2016, will allow the Chinese to purchase oil, gas and petrochemicals at a 12% discount.

Washington has taken a hard line with countries that have tried to trade with Tehran since the Americans withdrew from the Iranian nuclear deal in May 2018. This spring it refused to extend waivers to countries, including South Korea, which have relied on Iran’s condensate (ultra-light crude) for its petrochemicals industry.

This summer it also launched action against Chinese importer Zhuhai Zhenrong for breaching restrictions on doing business with the Iranian oil sector. Beijing protested, but the state-owned firm has been barred from any foreign exchange, banking and property transactions under US jurisdiction.

Experts have claimed that other entities have flouted the US sanctions by taking oil from Iranian tankers, which turn their transponders off shortly before meeting Chinese vessels out at sea.

All the same, China’s imports of Iranian oil have plummeted from about 2.5 million of barrels of oil per day (bpd) in 2018 to about 215,000 this year. Imports from Venezuela also fell about 13% during the first half of the year. In August, Trump signed an executive order threatening to freeze the US assets of any company that materially assists the Maduro government. “Trump is using America’s vast oil and gas resources as a tool of influence around the world,” CNN concluded.

The International Energy Agency (IEA) calculates that the US will generate 70% of the world’s new oil supply (equivalent to four million barrels a day) through to 2024. Much of it will head for Asia-Pacific, where the US is trying to build up its customer base after lifting an export ban in 2016. Asian refiners are major customers for the kind of low-sulphur, sweet crude produced by the Permian fields in Texas.

Like South Korea, India has switched from Iranian to US crude. According to Bloomberg, leading Indian refiner Bharat Petroleum has purchased a couple of the Sinopec cargos that were previously en route from the US to China, while another of Sinopec’s tankers managed to dock before the tariffs took effect.

The bigger question is how the Chinese will respond if Washington takes action against more of their companies for doing business with Iran. Dan Brouillette, deputy secretary of the US Department of Energy, made clear this week that the Americans are unhappy with the deal. He also told Reuters that all Iranian oil shipments will continue to be monitored and that Washington will consider blacklisting any party which violates the sanctions.

However, energy consultant Robin Mills told the Times in the UK that China has a habit of seizing on moments of crisis between Iran and the West to announce big investments, but then holds back on exploiting them.

Meanwhile Sinopec has applied for exemptions on the remaining shipments of American oil waiting to be unloaded at Tianjin’s port.
House rules

Macau's new boss coy about casino licencing plan

Gambling on election results has become big business in recent years. Colourful candidates help juice up the betting. For instance, when Donald Trump first announced his campaign for the presidency in August 2015 the odds on his victory were 25 to 1, reported Fortune magazine. They were still 5 to 1 on the day of the election, indicating he was still considered a rank outsider even in a two horse race. One gutsy gambler made $2.5 million betting on Trump’s victory, according to Betfair.

Meanwhile Trump is currently the bookies’ hot favourite to get re-elected next November: Ladbrokes have him at 11 to 10. By contrast the chances of Elizabeth Warren winning the presidency are 9 to 2 and Joe Biden is at 5 to 1.

Paradoxically in the gambling hub of Macau all bets were off when it came to the election of the territory’s new leader. That’s because there was only one candidate: Ho Iat-seng was elected unopposed as chief executive-designate by a committee of 400 local representatives at the end of August.

Ho takes on the role in December. His election victory was approved last week by the State Council, and its spokesman was complimentary, describing the city’s new boss as “up to the central government’s standard for the position, as he loves the country and Macau, and is trusted by the central government”.

Born in Macau to a wealthy family, Ho’s ties with mainland China are extensive after studying there as a young man and serving for many years on the National People’s Congress. He served as the president of Macau’s legislative Assembly, before resigning as a precursor to getting Macau’s top political job.

His campaign has talked about making government more efficient and the local media has sounded approving of his main career as a businessman, saying that it makes him a man who will get things done. But Ho will be taking office at a difficult time, with gaming revenues down sharply this year and the economy dipping into a technical recession after two consecutive quarters of negative growth. The number of punters turning up has been hit by a slew of unwelcome factors, including the drag on the Chinese economy of the Sino-US trade war.

Also getting a fair amount of comment is his lack of direct ties to the casino industry, with the suggestion that this might make him more willing to overhaul the all-powerful sector. At the very least he’ll need to oversee the retendering for six gaming licences, all of whose concessions expire in 2022. The retendering process has already been delayed and there is speculation that the outcome is being complicated by the trade war with Washington, with the American casino operators such as Wynn Macau and Sands China becoming potential pawns in a wider battle (see WIC431).

Those affected would include Sheldon Adelson, chairman of the Las Vegas Sands, and the biggest financial backer of Donald Trump’s last presidential campaign. Adelson operates three major casino hotels. Any indication they’ll miss the cut will have the greatest impact between now and Trump’s re-election bid next November when the issue could spice up the trade talks.

Ho has been careful to avoid specifics on the relicencing plan, noting only that a “healthy” gaming sector is crucial to the broader development of Macau’s economy. Like previous chief executives, he has been talking about diversifying the economy away from its reliance on gaming, although progress here has been slow. In the meantime he will persist with his predecessor’s policy of pushing the casinos to double the share of revenues they earn from non-gaming (currently about a fifth). They have already responded by investing in a better selection of hotel rooms, dining options and retail choices. But policymakers want to see something much more transformative in arts and exhibitions, world-class entertainment and business conventions.

Ho will probably demand something similar as part of the bargain for licence renewal. Nonetheless he will want to avoid too much upheaval for the casinos, which deliver the vast majority of the city’s taxes – he took a conservative line in his comments last month that “many people expressed they do not want to mess up Macau”.

Holds all the chips: Ho Iat-seng

Photo: Reuters
Balancing trick

Ratio cut unlocks $126 billion in loan liquidity

China is entering a new era where the number ‘five’ will feature very prominently. When it comes to communications all the talk is of a world of 5G and for economic growth the figure 5% is increasingly spoken of.

Economists have anticipated the day when China’s annual GDP growth dips below 6% for many years. But an increasing number are now baking it into their forecasts for 2019 and 2020 too, after growth slipped to 6.2% during the second quarter and seems to have slowed further in recent months.

GDP growth with a ‘five’ handle on it is a particularly sensitive issue for the Chinese government. It has long cited 6% as the magic minimum to ensure long-term development and hit its targets for a “moderately prosperous society” at the end of the current 13th five-year plan in 2020.

As such, there are not only questions about whether the central government will want to reveal sub-6% growth over the coming months, but also whether it has happened already. Earlier this year, for example, the Brookings Institute calculated that China had been overstating its GDP figures by an average of 1.7 percentage points per annum between 2008 and 2016 (on this basis, GDP growth is already below 5%).

The Wall Street Journal recently published other alternative data sources pointing to a severe slowdown over the summer, especially in manufacturing. The main culprit is the Sino-US trade war. During August, exports fell 1% year-on-year overall, but were down 16% to the US. The most liked comment to the Wall Street Journal article suggested that Trump had astutely seized the moment at which China’s long-term growth rate decelerated to rebalance the relationship between the two countries. “His play, if successful, will go down as one of the most brilliant economic strategies since Reagan’s to bring down the USSR,” it concluded.

Certainly as WiC has written before, exports provide countries with “free” GDP growth funded by others’ demand. For the past few years, this kicker enabled the Chinese government to maintain the difficult balance act of deleveraging the banking sector while maintaining high-enough GDP growth overall.

But keeping the plates spinning is increasingly tricky because the country’s total debt to GDP reached 303% in July. As The Economist recently highlighted, tighter financing conditions are also exposing problems at smaller banks, which increased their assets by 144% over the past five years compared to 53% by the large banks. Since May, the government has had to organise bailouts for three smaller lenders: Baoshang Bank, Bank of Jinzhou and Hengfeng Bank. One indication of the anxiety these moves provoked: after ICBC stepped in to prop up Bank of Jinzhou in July the banking giant subsequently saw its share price retreat by 10%.

The Economist reports that analysts worry that the three rescued banks may not be the last to need help and that the rot at the smaller city-based lenders is broader. By the central bank’s own count, 420 of China’s 4,327 lending institutions are at a ‘high risk of distress’.

So the government has tried to tweak its policy tools so it can target pump-priming more carefully – i.e. to chivvy along growth while minimising bad loan risks. In mid-August, it replaced its benchmark loan rates with new Loan Prime Rates (LPR) tied to the medium-term lending facility (corporate lending will be tied to a one-year LPR and mortgages to a five-year one).

Then on September 6, the PBoC cut the banks’ reserve requirement ratio (RRR) by a further 0.5%, its third cut this year. To ease the pressure on smaller regional banks, it cut their ratio by a further 1%. Together the two cuts should inject a further Rmb900 billion ($126.35 billion) into the financial system.

The central government is also encouraging local governments to bring forward their 2020 borrowing quotas, although it has not yet upped them. However, it has stated that funds must be used for more productive purposes (roads and railways, which provide a GDP multiplier) rather than real estate and shantytown redevelopment, as they were during the first half of the year.

Will it be enough? Many economists believe that China’s stuttering manufacturing sector and fading US GDP growth (previously juiced up by Trump’s tax cuts) are the precursors of a 2020 global recession. ■
A sustainable advantage?

*Groundbreaking event looks at where China stands in the green economy*

Some researchers believe the fires raging in the Amazon, the world’s largest rainforest, may have their root cause in the fraying trade relations between the US and China. The logic goes that tit-for-tat tariffs have decimated US soybean and beef exports to the Middle Kingdom, and encouraged farmers in Latin America to pick up the slack and ramp up their production for export to China. The problem? This often entails a practice termed slash-and-burn, where forested land is cleared with fire, making it usable for growing crops or grazing cattle. Brazil’s soybean exports to China jumped almost a third last year, with China buying about 80% of the country’s exports of that commodity, according to Reuters. Meanwhile the number of forest blazes across Brazil spiked 83% on the year to 72,843 incidents as of August – even in the absence of droughts.

It’s open to debate whether a direct correlation between those pieces of data can be proven. What is unquestionable, however, is China’s outsized influence on the earth’s ecological wellbeing over the past four decades – as a result of its breakneck economic growth. Apart from industrial waste and pollution, the country’s rising consumer culture has put an additional strain on the world’s resources and led to more carbon emissions than ever before. Yet with President Xi Jinping saying that “green mountains and clear water are equal to mountains of gold and silver,” China has also put a tremendous effort into going green in recent years. Such was the backdrop for Fortune’s first Global Sustainability Forum in Yuxi in Yunnan — a southwestern province with ample natural resources and a rich diversity of plant life.

Top of the agenda at the US business magazine’s two-day conference was China’s attempt to shift more of its energy supplies towards low-carbon sources. That explained why the event opened with a plenary session led by Fu Chengyu, the former chairman of two of China’s oil and gas giants, CNOOC and Sinopec. Fu noted that China has been making headway in renewables technology, and as a result solar and wind power have got a lot cheaper and become competitive versus coal. This progress will help China become energy independent in 10-15 years, he
predicted and also ease some of its geopolitical angst (much of Beijing’s foreign policy can be seen through the prism of protecting the country’s oil and gas imports). Fu urged business leaders to commit more investment in the area and to recognise the “urgency” of arresting the current environmental degradation.

His observation was echoed at a separate roundtable discussion the following day. According to Zhong Baoshen, chairman of LONGi Green Energy Technology, a Xi’an-based photovoltaics manufacturer, China could fully sustain itself on clean energy should 50,000 square kilometres of land – representing 3% of the country’s desert area – be set aside for installing solar power capacity. Residents in Qinghai, currently China’s largest solar power generation base, drew their energy solely from renewables for 15 consecutive days in June, which was a record. The northwestern province is looking to supply clean energy to other parts of the country. A power line linking it with Henan (China’s third most populous province) is expected to come into use next year.

China’s breakthrough in renewables, in part fuelled by state subsidies, is bringing forth a new asset class that draws significant investments from abroad, suggested Priscilla Lu, who heads the green investment division at a German asset manager. “Renewable energy is moving in a direction where it has stabilised with predictable returns, where you are able to aggregate the renewable energy assets and then use them as an investment vehicle, for not just corporations interested in offsetting their carbon footprints, but really getting returns on investment on a steady basis,” she observed, comparing the emerging asset class to real estate investment trusts (REITs) which she said only gained traction over time.

She pointed out that, for now, it is companies with “a huge presence in China” – in terms of production base, revenue sources or market opportunities – that are driving the country’s renewable investment. Behind this is the regulatory requirement for listed entities and public bond issuers in mainland China and Hong Kong to disclose their environmental, social and governance (ESG) performance, starting from next year. Lu believes the new rules will eventually be mirrored in other major markets, pressing more companies to curb their carbon footprints.

This initiative is in line with China’s pledge to limit global temperature increases to well below 1.5 degrees Celsius under the Paris Climate Agreement. To meet that target, China will have to cut its energy-linked emissions by 70% or even go carbon-neutral by 2050, said Jiang Kejun, senior researcher at the Energy Research Institute under China’s National Development and Reform Commission, during a roundtable discussion.

What might be holding the country back is the perceived need to stimulate its slowing economy between 2021 and 2025 under the 14th Five-Year Plan, opined Yuan Fuqiang, senior advisor to the New York-based Natural Resources Defense Council. Decisionmakers in the country are debating whether to add an additional 300 gigawatts (GW) of coal-fired power capacity, in addition to the current 1,000 GW so as to ensure there will be enough electricity to support production. In fact, China lifted its construction ban on coal-fired power plants last year – a move that was partly driven by trade disputes with the US and the need to support the economy with infrastructure spending.

“If China cannot get rid of coal consumption, its economic development will stop somewhere – as fu-
Environment

ture proposals would lose public support,” predicted Yuan, noting that the Chinese are more concerned about their health than ever before and that coal pollution has already caused 1.5 million premature deaths.

Although there are expectations that the share of coal in the country’s total energy mix may fall to 50% by 2020, total coal consumption remains enormous. To date, China is still the world’s largest coal consumer with a 50% share. The aggregate demand from Tianjin, Beijing, Hebei and Shandong alone exceeds that of the entire US.

Another area that requires huge doses of political will is remediating water pollution, especially in the Yangtze River. In a brief presentation, Debra Tan, director of Hong Kong-based think tank China Water Risk, highlighted that the Yangtze River Economic Belt is actually the world’s third largest economy and home to five city clusters that comprise 43% of China’s population (more people than the US and Indonesia combined). It also accounts for 45% of the country’s gross domestic product (making it larger than the economies of Japan and Canada). Tan called it “the heart of the global supply chain,” where 53% of the globe’s chemical fibres, 55% of medium and heavy rare earths (a crucial component of smart devices), and other strategic materials are typically sourced.

“China is the biggest factory in the world. We are not just manufacturing for our own people, but also for the entire world. This caused much of the waste dumped in our backyards and contaminated our water, air, soil, and coastal seas,” Ma Jun, founding director of the Institute of Public and Environmental Affairs, told the forum, noting that his Beijing-based non-profit organisation has discovered over one million infringements by factories since its establishment in 2006. Many of these violators are key suppliers to global brands such as Apple, Dell, Levi’s, Nike and Walmart. Through compiling and publishing pollution data for millions of factories, Ma managed to lobby big companies (who care about their brand and reputation) to impose more stringent environmental demands on their suppliers, and bring changes to China’s production practices.

Because the Yangtze River is vital not just to industry – the waterway is critical for growing many necessities (i.e. 65% of the rice produced in China) – conservation of the river has become a government priority.

About Rmb2.1 trillion ($296.22 billion) from both the public and private sectors has been earmarked for the cleaning up of the channel, which currently flows past 175 cities, 200 industrial parks, 242 coal-fired power plants, as well as 600 hydropower stations. There are also pilot schemes in Zhejiang province that aim to rein in water pollution through the issue tradable discharge permits to factories. While a dedicated exchange is planned for the carbon market (and estimated to be worth Rmb4 trillion), Alibaba’s Taobao is being used at the moment for such trading. “Trading permits carry with them value, you can take them to the banks and borrow against them so that you can actually finance your equipment upgrades,” said Tan.

But targeting manufacturers and power plants is not enough to move the needle for the Yangtze because over 53% of its water is used for agricultural production (versus 31% for industrial), according to China Water Risk. In other words, the improvement of the Yangtze’s water quality requires the introduction of more sustainable agricultural practices, especially for livestock rearing. That could possibly be achieved by regulating the use of pesticides...
Environment

and fertilisers, or taking a step further to popularise plant-based diets. Impossible Foods, a California-based food tech company now famous for its artificial beefburgers, has a solution.

“The animal agricultural system is a major cause of water pollution in China. It’s a huge component to greenhouse gas emissions from China,” said Patrick Brown, Impossible Food’s founder and CEO, in an interview on the stage at the Yunnan forum. “Using the technology that we’ve developed with the water efficiency and the land efficiency that we have today. China could produce all the meat that all its citizens consume using half its own arable land and its own water supply.”

Impossible’s plant-made patty is known for using 75% less water, generating 87% fewer greenhouse gases, requiring 95% less land and 100% fewer cows than a real beef patty. With the aspiration to “completely remove animals from the food system by 2035,” Brown sees China as a major market to crack, considering the country is by far the world’s largest meat consumer and accounted for half of the growth in global demand for meat over the past decade.

However, the timeline for entering the Chinese market could be “unpredictable” due to regulatory uncertainty surrounding its meat-flavour ingredient heme, made via the fermentation of genetically modified yeast. Hence Brown’s cautious response to the Yunnan government’s open courtship at the Fortune event, where a local official used the American’s Q&A to offer a production partnership in the province.

As the Chinese government gets more resolute about greening its economy, more scrutiny is being directed at how manufacturers are treating their waste. “It’s done very seriously, especially in the past five years,” said Jim Fitterling, CEO of Dow, a US chemical company, noting “a definite change” in Dow’s China operations. To comply with environmental rules, the company has invested in an onsite water recycling system, for example. French beverage company Pernod Ricard, which drew 21% of its revenue from China last year, is also aiming to eliminate plastics from its promotional materials by 2025. Sportswear company Nike, likewise, has launched vegan sneakers made from upcycled sawdust, recycled foam and organic cotton. Surging corporate demand for sustainable solutions across the production chain – design, material sourcing, manufacturing, packaging and waste treatment – is giving rise to the so-called circular economy, that emphasises regeneration and waste minimisation. (The concept was first coined by Bill McDonough, author of Cradle to Cradle, who also spoke at the forum.)

A topic that ran throughout the conference – but lacked a dedicated discussion platform – was international cooperation. As Hal Harvey, CEO of Energy Innovation, a San Francisco-based environmental think tank, said: “It’s impossible to keep the Greater Bay Area and Shanghai from flooding unless the US does its part. There’s no way to separate the solution here.”

Acknowledging China’s contribution to the mass-adoption of solar power, offshore wind energy and electric vehicle batteries, Tanaka Nobuo, the former head of the International Energy Agency, asked it to take the lead abrogated by the US in the climate fight.

Tony Fadell, the man who co-developed the iPod and the iPhone, viewed China’s refusal to import most foreign waste in a positive light because it encouraged Southeast Asian countries to do the same and spurred the developed world to confront their own issues in trash recycling.

The conference ended on a note of optimism with the inspiring work of Daan Roosegaarde, a Dutch designer who has lived in China for nearly nine years. His creative eco-output has included kites that generate electricity and a massive air purifier in Beijing. “I don’t believe in utopia, I believe in protopia: designing prototypes for solutions that create a better world and that can be realised,” said Roosegaarde, “Stop whining and worrying. We need to fix it.”
Caring for an aging parent can be stressful. But for some adult children travelling with parents can be even worse, with help required for everything from moving through airport security to navigating hotel lobbies and finding favourite food.

A new reality TV series in China is giving a taste of what travelling with older loved ones feels like.

When I Grow Up follows a similar format to the earlier hit Dad, Where Are We Going? (see WiC213) – a show that had to be pulled off the air because of a government ban. It filmed celebrity dads with their young kids and was incredibly popular but irked officialdom – children of stars should not be used in shows warned Xinhua as they “fall prey to instant fame”. Hunan Satellite TV, which made Dad, Where Are We Going?, devised the new show to keep the flavour of the original but with a tweak that gets round the ban on using celebs ‘young’ children.

This time round it follows five fathers who take their older offspring to rural Sichuan where they fend for themselves (basically, doing their own laundry as well as cooking their own food).

For some, this is a major struggle. One of the fathers is Xu Jinjiang, 58, an actor from Hong Kong. “If I didn’t come on the show, I wouldn’t have realised how useless I am; how incompetent,” he confides at one point. “If it wasn’t for the other dads here, I wouldn’t be able to survive. I don’t know anything. I am so weak. I don’t even know how to live.”

Xu admits that he is emotionally dependent on his 19 year-old son too. After he fails to light a fire (producers gave each family a lighter to make things easier), his son Xu Fei has to comfort him. “It’s ok, I’m here,” he tells his father.

When Xu complains about backache at the end of a long day, his son even offers to give him a massage.

Some netizens talked about the elder Xu’s behaviour as “endearing” and “honest” while others complained that he is “overly needy” and “the biggest cry baby” in the series.

Xu Fei then took to Weibo to defend his dad, saying that the higher altitudes in Sichuan made it difficult for him to breathe and that the ceiling of their cabin was too low, contributing to his backache.

“Travelling with my dad really doubled the pain for me,” Xu Fei admitted. “But I can’t imagine what would happen if he had to travel on his own without my mother and I. So I am happy that I went.”

As ever, producers are on the hunt for tender moments between the fathers and their offspring. Li Wenhuan, who earned fame from the iQiyi show Idol Producer, admits to camera that prior to the reality series, he had spent little time with his father. The 25 year-old pop idol was recruited at 15 to undergo a rigorous programme of training in singing and dancing in South Korea. He says the filming in Sichuan was the first time the two had ever actually travelled together.

In one episode Li’s father asks how he would describe their relationship. The son ponders for a moment, and then replies: “Familiar yet foreign”.

Later, his father weeps during an interview, saying if he could choose again he wouldn’t have let his son leave home at such a young age.
It wasn’t just Li who felt he didn’t have much of a relationship with his father – the daughter of singer Su Jianxin is another to admit that she barely knows her dad.

In fact, she confides to camera that she follows her father’s weibo to find out his whereabouts. That creates a certain distance – in one scene he offers to clean her muddled shoes, but she rejects the offer and goes on to deal with them herself, while Su looks on from afar.

“Obviously, Su knows that his absence is the reason for the barrier between him and his daughter today. Therefore, he is now working harder than anybody to make up for the lost time. For the father and daughter, a relationship is better late than never. It is definitely worth cherishing,” Cosmo China wrote.

Raising Arizona
University aghast after Chinese students denied entry

America was once the top choice for Chinese parents wanting to send their children to study overseas. Now, a combination of visa refusals, unexpected repatriations and tighter scrutiny of Chinese students, have mainland families re-considering (see WiC459).

In the recent weeks there have been three more cases that have left the Chinese with the feeling they are no longer welcome in the US.

The first case on August 18 involved the deportation of a student carrying a bullet-proof vest in his luggage. The import of “soft” body armour is legal, according to the US Customs and Border Protection (CBP). For mainland students, buying such items in China – where they are cheaper – and then taking them to the US is one way of responding to concerns over gun violence. Some netizens have argued it is similar to foreigners bringing air pollution masks to China.

But for reasons which are unclear, the student was still deported. He said he declared the item; custom officials say he did not. In a statement posted on its website the CBP added that a subsequent search of the student’s residence in the US uncovered several firearms, including a prohibited ‘bumpstock’ device. The latter part of the story did not filter through to Chinese netizens who continue to believe the man was unfairly ejected for trying to protect himself.

The second case involved nine Chinese students attempting to return to Arizona State University (ASU) on August 22. Arriving back in the US, they were pulled aside for additional checks at LA Airport and “deemed inadmissible” based on information discovered during that inspection, the CBP said.

The university was furious, saying that the group were legitimately enrolled as students and that it was working to “rectify the situation”.

“In our country, where we value due process and celebrate the different ways in which our government behaves from that of the arbitrary and capricious behaviour of other nations, it is beyond my comprehension how the US government could establish and implement policies that bring about the outcomes we are now witnessing,” ASU President Michael Crow wrote in letter to the Department of Homeland Security.

Chinese students began having more problems entering the US in June last year when the Trump administration introduced new rules limiting student visas to a year for people studying subjects related to maths, science and engineering.

Previously students had been given visas long enough to cover the full duration of their courses. In addition, lengthy delays processing these visa applications meant that many students missed the first weeks of classes when they returned from China after the winter break.

The third incident involved two ethnic Chinese who were lining up to board a flight from Newark Liberty International Airport to San Francisco. The two men – who did not know each other – were approached by an Alaskan Airlines employee who began asking “bizarre” questions, Buzzfeed reported.

“How much are they paying you? Did they give you a visa? Did they give your family a visa? Do you make a lot of money? Do you work on Wall Street? Are you on an American visa?” the airline official asked.

One of the men was a Canadian citizen, the other was a student from mainland China.

When one of the pair struggled to respond to questions the employee triggered a security alert, which saw 200 people evacuated from the area. Airport authorities told CNN that only one airline worker had been suspicious of the pair and that the incident was now under investigation.

Meanwhile China’s embassies and consulates have been issuing advice that Chinese citizens should expect additional questioning and checks when they arrive in the US.

“Law enforcement and intelligence agencies of the American government have been monitoring and harassing Chinese students and scholars in the US. Such a move, immoral and unjust, reveals nothing but their nasty intentions,” the foreign ministry said pointedly on September 6.

As WiC has highlighted previously, the main beneficiary of these negative headlines are universities in countries like the UK, which have become a more favoured destination for many parents to send their kids to study.
And Finally

In one form or another, China’s nightly TV news simulcast has been around since 1958 – the year its state-run broadcaster CCTV began beaming its own television content inside Beijing.

CCTV went nationwide in 1978 – and even today all the other TV channels have to air its news broadcast at 7pm every evening. At its peak in the 1990s, some 250 million people regularly tuned in to the show each night.

But since then viewership has dwindled to about 135 million because audiences were able to avoid the stiff, propaganda-laden show by watching other content online.

The recipe for the programme is so predictable that there is even well-known ditty to sum up the half-hour long format: “In the first 10 minutes: the leaders are busy. Middle 10 minutes: the common people are happy and healthy. The last 10 minutes: the rest of the world is in chaos.” It rhymes in Chinese.

There was mild controversy last year when a professor from the Beijing University of Post and Telecommunications dubbed all non-watchers as “low-end” and dismissed them as “lazy, greedy people who don’t know how to be grateful”. That provocative remark wasn’t likely to lure back the younger audience who’d already deserted the programme in droves.

Yet in recent weeks Xinwen Lianbo – as the broadcast is known in Chinese – has had a sudden surge of popularity online.

As the trade war with the US has escalated and unsettled Chinese citizens, some have turned back to the government’s flagship programme for news that reassures.

It helps that during this period Xinwen Lianbo also embraced social media – finally launching official accounts on WeChat and video-sharing platforms Douyin and Kuaishou.

“Young people tend to say that Xinwen Lianbo is a TV programme for the older generation. Those people should eat their words, since many young people have become fans of Xinwen Lianbo recently,” said Kang Hui, a CCTV anchor in a video on the show’s Douyin account.

Part of the new-found appeal is a fresh style of delivery – the anchors, all household names, use more colourful, slangy terminology in their online broadcasts. Indeed the language is so current that CCTV had to issue a guide to help people who were trying to translate the online mini-broadcasts into English.

“Your mouth is a runaway train’ means ‘you are full of crap’” it advised. “Makes you spit out your rice’ means something is ‘laughable’.”

Some of these phrases then went viral on the Chinese internet.

Xinwen Lianbo’s first clip on Kuaishou – posted on August 24 – garnered 54 million viewers in its first hour and by September 2 it had amassed 20 million followers on that platform and its rival Douyin (known as TikTok outside China).

So far the show has posted nine short commentary-style videos to the two platforms: including two about the trade war and another about the upcoming National Day military parade. “This is the Xinwen Lianbo I always dreamt of,” said one gushing Kuaishou viewer.

One particularly popular clip described America as an “overbearing CEO” – a popular trope taken from Chinese soap operas. Another clip touched on a Chinese-English phrase from Hong Kong “no zuo no die”, meaning “if you do stupid things you will live to regret them”.

The stylistic shift also seems to have slipped into the 7pm television broadcast as well, with viewers noticing a more chatty delivery since late July – not bad for a channel that used to require its anchors to get official approval just to change their hairstyles.

And the changes have brought benefits: viewership of the nightly show is now growing, the channel says. Of course, not everyone likes the new format. “This new style is too down to earth,” complained one longtime watcher. “You can dress it up all you like, it’s still the same old nonsense,” remarked another.

A breath of fresh air

CCTV’s news anchors allowed to get witty in social media push
Photo of the Week

Newly naturalised Elkeson, a Brazilian-born footballer, made his debut for China this week scoring twice in a 5-0 win over the Maldives

In Numbers

$853 billion
Transaction value on Alibaba's e-commerce platforms in the last fiscal year, more than Amazon and eBay transacted together, according to the Wall Street Journal. The Hangzhou-based company is doing less well in overseas markets, drawing just 5% of its sales from its international retail business.

58%
The proportion of large-scale pig farms expected to be in operation in China by 2022, the State Council says, following an initiative to offer construction subsidies of up to Rmb5 million ($700,000). Reuters says Beijing is hoping to improve the stability of the pork supply through such farms producing over 10,000 pigs a year.

$36.5 billion
The bid from Hong Kong Exchanges and Clearing for the London Stock Exchange Group. HKEx talked up the proposal to combine the two biggest markets in Europe and Asia, although analysts in London said the deal is unlikely to go through.

$3.11 trillion
China's foreign exchange reserves in August, an increase of $3.5 billion from a month earlier, despite expectations that they would probably fall. The offshore yuan depreciated by 3.8% against the greenback last month, trading at more than decade-long lows.

Running for cover

“We did so out of recognition that we faced significant exposure to the China market and that a political or a public health event beyond our control could lead to a decline in students and revenues”

Jeffrey Brown, dean of the Gies College of Business at the University of Illinois at Urbana-Champaign, tells the Financial Times that the school has taken out an insurance policy that is triggered by falls of 18.5% or more in revenues from Chinese students. Enrolments are down because of US government visa denials (for more on this topic see page 19).