Newsletter

7 November 2017

FCCC/EUCBA ACTIVITIES

Seminar – Negotiating with the Chinese: Cultural Roots & Practical Recommendations – 14 November 2017 – Ghent

“Building a win-win partnership through the art of negotiation”

The seminar on ‘Negotiating with the Chinese: Cultural Roots & Practical Recommendations’ will take place in **Ghent at 14h00 on Tuesday 14 November 2017.** This seminar is organised by the Flanders-China Chamber of Commerce and the Cheung Kong Graduate School of Business.

Mr Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the Cheung Kong Graduate School of Business will be the keynote speaker.

This seminar offers guidance to business leaders on how to leverage cultural differences, complexity, uncertainty, and conflicts during the negotiation process with their Chinese partners. It delivers direct impact on a company’s bottom line to support individuals who are doing business with a fast-changing China.

Attendees will gain a comparative understanding of the practical Chinese and Western approaches to negotiation as well as sharpen their own negotiation skills through learning from multiple case studies and real-life contexts. Furthermore, they will identify the cultural roots behind business scenarios, which will provide them with the knowledge to reshape their strategies and tactics. The attending business leaders will also learn to optimize their approach to a win-win value creation through negotiating with the Chinese to achieve a sustainable partnership.

Programme
13:00 Registration
14:00-14:15 Opening Remarks by Ms Gwenn Sonck, FCCC Executive Director
14:15-15:00 China vs West: different cultural negotiating models
15:00-15:15 Break
15:15-16:00 Chinese cultural roots and elements to shape the negotiating skills
16:00-16:15 Break
16:15-17:00 Strategies that lead you to a better negotiation outcome
17:00-17:15 Break
17:15-17:40 Group discussion
17:40-18:00 Networking

If you are interested in attending this event, please register online HERE

Practical information:
When: 2 pm – 6 pm, Tuesday, 14 November 2017
Where: Zebrastraat 32/001 - 9000 Ghent, Belgium
Participation fee: for members: € 185 (excl. VAT), non-members: € 225 (excl. VAT)

Contact: Ms. Lijuan Yu - CKGSB lijuanyu-pt@ckgsb.edu.cn FCCC info@flanders-china.be

About the speaker

Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the Cheung Kong Graduate School of Business

Bo is currently the Assistant Dean & Chief Representative for Europe at Cheung Kong Graduate School of Business (CKGSB), a top business school with more than 10,000 chairman/CEO level alumni in China. Bo had an over-20-year successful business career in Global Business Development, Innovation, Strategy, Supply Chain Management, M&A, etc. He served as the senior executive at the headquarters of many Fortune 500 companies such as Monsanto, Cargill, Pfizer, Wrigley, and Mars. He is also a well-sought conference speaker.

Combining his extensive business experiences and in-depth knowledge, Bo has been teaching EMBA/MBA at some of the world's most prestigious business schools such as INSEAD, Esade, MIT, New York University, Hong Kong University of Science and Technology, Technology University of Munich, Tsinghua University, CKGSB, Zhejiang University, Sun Yat-Sen University, Shanghai Jiaotong University and Taiwan's National Chengchi University etc. In addition, Bo also offers advice to Chairmen and CEOs. He is also a frequent speaker at renowned international conferences, forums, TV media and annual corporate meetings.

Seminar: "Immigration for Chinese Professionals" – 22 November 2017 at 10h30 – Brussels

The Flanders-China Chamber of Commerce and Flanders Investment & Trade are organizing a seminar focused on '**Immigration for Chinese Professionals in Belgium**'. This seminar will take place on **22 November 2017 at 10h30** at Flanders Investment & Trade, Zenith Building, Koning Albert II-laan 37, 1000 Brussels.

During this conference, you will get a better understanding of the regulations regarding professional cards and family reunification.

The programme is as follows:

10h15: Registration

10h30: Welcome by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce and Ms. Lothe Verstraete, Deputy Director Inward Investment Greater China, Flanders Investment & Trade

10h45: HOW TO APPLY FOR A PROFESSIONAL CARD IN FLANDERS?
An overview of the conditions and procedure for applying for a professional card as a self-employed person in Flanders.

Mrs Karen Cambré, Head Economic Migration Flemish Brabant and Limburg, Flemish Government

11h15: SHORT OVERVIEW OF WORK PERMITS: TYPOLOGY AND APPLICATIONS
The most important aspects of work permits, i.e. the conditions to apply, statistics and how to deal with refusals and appeals.

Mr Wouter Ottevaere, Head Economic Migration, Flemish Government

11h45: FAMILY REUNIFICATION
Belgian family reunification procedure and legal conditions in the context of economic migration.

Mr David Rans, Attaché Federal Public Service - Home Affairs, Department of Immigrant Affairs, Visa Family Reunification

12h15 – 13h00: Networking lunch

If you are interested to participate, please register online before 16 November 2017.

Practical information

When: 22 November 2017, 10h30 – 13h00
Where: Flanders Investment & Trade, Zenith Building, Koning Albert II-laan 37, 1030 Brussels
Fee: Members: **45 €** (excl. VAT) Non-Members: **65 €** (excl. VAT)

ADVERTISEMENT AND SPONSORSHIP

Advertisement and sponsorship opportunities 2018

The Flanders-China Chamber of Commerce offers several advertising and sponsorship opportunities in order to give your activities more exposure to potential new clients and collaboration.

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be

www.flanders-china.be

The sponsoring opportunities are the following:

1. SPONSORING OF ACTIVITIES

During FCCC activities, you can put a banner of your company at the event and distribute documentation of your company and obtain free invitations.

Invitations are distributed via E-mail and the FCCC website and newsletters. The events are announced in different media channels.

The fee is according to each different event.

2. SPONSORING AT THE FCCC WEBSITE

Your logo will be displayed on the FCCC home page with click through to your own website or to your own page on the FCCC-website

GOLDEN SPONSOR (12 months): 1.950 €

SILVER SPONSOR (6 months): 1.450 €

3. SPONSORING IN THE FCCC WEEKLY NEWSLETTER

Every Monday, the weekly Newsletters are sent and posted on the FCCC website.

Number of recipients every week: 1200 executives dealing with China

GOLDEN SPONSOR (12 months): 1.950 €

SILVER SPONSOR (6 months): 1.550 €

SPONSOR (3 months): 895 €

4. SPONSORING IN THE QUARTERLY E-NEWSLETTER IN CHINESE AND ENGLISH LANGUAGE: "NEWS FROM THE HEART OF EUROPE: FLANDERS"

- Newsletters are also posted online at the FCCC website
- 1 issue every quarter
- Number of direct recipients: +/- 2000 Chinese and Belgian business leaders, local authorities and institutions
- Distributed through the different Chambers of Commerce in China
- Your logo on the electronic newsletter and a 200-word profile of China activities

GOLDEN SPONSOR: 1.650 € -3 issues

SILVER SPONSOR: 1.250 € - 2 issues

Amounts are excl. VAT.

5. SPONSORING EU-CHINA ACTIVITIES

The EU-China Business Association (EUCBA) is an association of Associations in the European Union countries promoting business relations between European enterprises, institutions and their Chinese counterparts. It is an International non-profit organisation registered in Belgium.

The FCCC holds the secretariat-general of the EUCBA. The EUCBA organises high-level EU-China events and also publishes a Quarterly newsbulletin. www.eucba.org

If you are interested in advertising or sponsoring or need more information, please send an e-mail to: gwenn.sonck@flanders-china.be

19th COMMUNIST PARTY CONGRESS

New top CPC leadership presented

Xi Jinping (center); from top left clockwise: Wang Yang, Li Keqiang, Han Zheng, Wang Huning, Li Zhanshu, Zhao Leji and Wang Yang.

The Chinese Communist Party concluded its 19th Congress on October 24, followed a day later by the first meeting of its newly-elected Central Committee, which selected the 25 members of the Politburo, and within the Politburo, the seven **members of its Standing Committee**, in hierarchical order: **Xi Jinping, Li Keqiang, Li Zhanshu, Wang Yang, Wang Huning, Zhao Leji and Han Zheng**.

Only Xi and Li were members of the previous Standing Committee, the other five are newcomers. Several of them will assume top state functions when the National People's Congress (NPC) convenes its annual session next March. Li Zhanshu is expected to become Chairman of the NPC – China's parliament – while Wang Yang would assume the top post in the Chinese People's Consultative Conference (CPPCC), an advisory body to the NPC. Zhao Leji is heading the Communist Party's Central Commission for Discipline Inspection (CCDI), China's primary anti-corruption body. Han Zheng, who is stepping down as Party

Secretary of Shanghai, is expected to become Executive Vice Premier next March. Wang Huning is heading the Secretariat of the Central Committee.

The Standing Committee Members were presented to the domestic and foreign press following the meeting of the Central Committee. For the first time, all Standing Committee Members were born after the founding of the People's Republic of China in 1949. They began their political careers around the time of the launch of reform and opening-up in 1978.

There is no one in the Standing Committee who would still be young enough to take over from President Xi Jinping in five years' time. Neither of the two men currently considered most likely to succeed Xi – Hu Chunhua and Chen Min'er – were elevated to the Politburo Standing Committee. At the Politburo level, Yang Jiechi is the first professional diplomat to become a member of the body for 15 years, and is now a front runner to become a Vice Premier. Li Qiang, Party Secretary of Jiangsu province, will take over from Han Zheng as Party Secretary of Shanghai.

As expected, the closing session of the Congress voted unanimously to include "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" in the Charter of the Communist Party.

MACRO-ECONOMY

China to deepen overall reform, Xi tells Tsinghua Advisory Board

Left to right: Mark Zuckerberg, Xi Jinping and Tim Cook

China will firmly stick to the basic national policy of opening-up and pursue win-win cooperation while safeguarding the country's sovereignty, security and development interests, President Xi Jinping said while meeting with members of the **Advisory Board of Tsinghua University School of Economics and Management**. The President added that China is deepening overall reform with unprecedented determination and force. China has not only benefited from but also contributed to economic globalization, Xi said, adding that **China's development means opportunities for the world**. China will not seek to take advantage of other countries but will pursue **win-win cooperation**, Xi said, while pledging to take more measures to boost opening-up.

Board Members who participated in the meeting included Tim Cook (Apple), Mark Zuckerberg (Facebook), Robin Li (Baidu), Jack Ma (Alibaba), Pony Ma (Tencent), Elon Musk (Tesla) and Satya Nadella (Microsoft). Former Premier Zhu Rongji is Honorary Chairman of the Advisory Board.

Commenting on his upcoming meeting with U.S. President Donald Trump, Xi said China would like to make joint efforts with the U.S. to take each other's interests and concerns into consideration, dissolve disputes and contradictions, and engage in win-win cooperation.

Mark Zuckerberg said that boosting connections will create economic opportunities, just like what the China-proposed Belt and Road Initiative has brought to the world. "We know that when it's easier for businesses to connect their customers on the internet, that enables the creation of new entrepreneurship, innovation and development, and improves the life of everyone," he told Xi, as reported by the China Daily.

AUTOMOTIVE

100% foreign-owned electric vehicle manufacturers to be allowed in FTZs

China may soon allow foreign automakers to establish wholly-owned operations in China, possibly first **in free trade zones** (FTZs), according to heads of the country's leading car associations. "Probably as early as next year, China will allow them to build wholly-owned facilities dedicated to **new energy cars** in its free trade zones," said Dong Yang, Executive Vice President of the China Association of Automobile Manufacturers (CAAM) at a low-carbon car forum in Beijing. Fu Yuwu, Director of the Society of Automotive Engineers of China, said that the Chinese authorities will remove the ownership stake cap on carmaking joint ventures.

Currently, foreign carmakers wanting to produce cars in the country must have local partners and their stakes cannot exceed 50% of the joint ventures. China also has limits on the number of joint ventures a foreign carmaker can have, but since June partnerships dedicated to new energy cars are exempted from the rule.

Tesla could be one of the first foreign companies to set up a wholly foreign owned subsidiary in the Shanghai free trade zone (FTZ). But cars produced in free trade zones are not exempt from a 25% import tax, wiping out the cost advantage of producing in China.

Lifting of the investment cap for gasoline-powered cars is not expected in the near future, as Chinese car manufacturers are still building up their market share.

FINANCE

China to lead in artificial intelligence-powered fintech

China is creating a broad-based platform for artificial intelligence-powers fintech to drive the country's economic development, according to keynote speeches and panel discussions at **Finnovasia**, part of the Hong Kong Fintech Week focusing on the future of AI in finance. China has made significant headway in AI, based on advances in computer-processing power, algorithms and data collection used by academic researchers and major internet companies such as Baidu, Alibaba Group Holding, Tencent Holdings and JD.com.

In July, the Chinese government set goals to build a **domestic AI industry worth nearly USD150 billion** in the next few years, and to make China an "innovation center" in this field by 2030. "The U.S. has better scientists doing research in AI, but as to the union of AI and financial technology, China is leading and will continue to dominate in the future," Chan Ka-keung, Adjunct Professor of Finance at the Hong Kong University of Science and Technology, said during a panel discussion. Chan said China's success was helped by consumers enthusiastically embracing new technology. Moreover, they are not reluctant to share relevant data with trusted service providers, such as those in online search, e-commerce and social media.

At the Finnovasia panel discussion, Ling Kong, Chief Technology Officer (CTO) at online lending company **Dianrong**, pointed out that the company serves millions of customers every month, each bringing plenty of data sets that are used for making decisions. Chan also said the rapid growth of new fintech services, such as peer-to-peer lending marketplaces and online money market funds, was made possible by a lack of innovation by the country's traditional banks in addressing the needs of not only the average consumer, but also many small and medium-sized enterprises.

High-flying start-up **Ant Financial Services Group**, which runs online payments service Alipay and money market fund Yu'ebao, has made AI a key driver for expanding its businesses and improving customer service. Donald Feagin, Senior Vice President of Global Business at Ant Financial, said in a keynote speech that the company's customer service was "powered by AI technologies like natural language processing, machine learning and voice recognition". "The possibilities are really endless – of what we can do here," said Feagin, a former Senior Partner at Goldman Sachs. He added that AI – in particular, deep-learning technology – had helped to detect fraud and anticipate issues at Alipay, which has about 520 million users. "So our fraud loss today is less than one in 1 million," said Feagin. "This is a fraction of the fraud losses of other global payments players.

"Right now, the AI market is dominated by all these big companies – the Googles, Facebooks and Apples of the world," Eberhard Schoeneburg, Lead AI Adviser at global consulting firm PwC, said, adding that "the future of AI will **be driven by start-ups**, including early-stage companies that have never been heard of," the South China Morning Post reports.

China's central bank developing its own digital currency

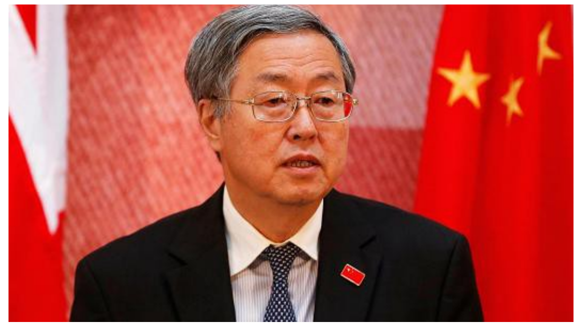
Even as China bans bitcoin and other cryptocurrencies, the **People's Bank of China (PBOC) is developing its own digital currency**. It can help bring down transaction costs, extend financial services to rural areas and increase the efficiency of monetary policies, according to Yao Qian, who leads the research at the PBOC. "The development of the digital economy needs a central bank-issued electronic currency more than ever," Yao said at forum in Beijing. "It's crucial to speed up the research and issuance."

Yao's remarks are consistent with those of central bank Governor Zhou Xiaochuan, who said earlier this year that the PBOC was looking into its own digital currency. But it is also in stark contrast to the central bank's harsh and relentless crackdown on any form of privately issued, or decentralized digital currency. **China has banned** any attempt by companies to raise financing through **initial coin offerings (ICOs)**, and stopped bitcoin exchanges from operating. Already, Chinese financial institutions have been prohibited since 2013 from holding any form of digital currency.

Digital legal tender will be the "jewel in the crown of fintech," as the fusion of technology with finance is called, and will have a sweeping impact on the future of the world's financial system, Yao Qian said.

"Virtual currency is easier to trace, allowing the central bank to monitor its velocity and the whereabouts of the money and improve its monetary policies accordingly," he said, adding that big data, artificial intelligence and machine learning will also play a bigger role in analyzing risks and strengthening regulatory intervention, the South China Morning Post reports.

PBOC Governor opposes looser monetary policy



The Governor of the People's Bank of China, **Zhou Xiaochuan**, has lashed out at local governments, saying their constant **calls for looser monetary policy are the root cause of the country's financial fragility**. Zhou, who has been PBOC Governor for the last 15 years, said the central bank had been expected to turn on the cash taps to support growth in good times and in bad.

"In the good times all industries and local governments enthusiastically pursued rapid growth and demanded the central bank ease money supply," Zhou wrote in an article on the central bank's website. As a result, financing activities boomed, credit supply increased, and market players started to be overly optimistic, "generating asset price bubbles". But as risks mounted and financial markets came under pressure, all sides called for the PBOC to come to the rescue with looser monetary policy, Zhou wrote. He said this **distortion of monetary policy**, mainly from local governments eager to speed up development, **was a source of systemic risk** because of the high financial leverage and excessive corporate debt it induced. Zhou called for broadened equity funding and direct finance to cut corporate leverage and eliminate "zombie" companies. He also warned that it was very difficult for regulators to find a big enough window of time to "right the wrongs".

Zhou is expected to step down in the coming months. He is credited with steering the country's robust economic growth in the past 15 years, freeing up interest rates at home and earning the yuan nominal international reserve currency status abroad. But he has also been criticized for allowing the economy to be flooded with money – China's broad money supply, M2, surged from CNY18.5 trillion at the end of 2002 to CNY165.6 trillion at the end of September, the South China Morning Post reports.

CHINA NEWS ROUND-UP

Tesla shelves plan for China factory

With plans for a Tesla factory in Shanghai pushed back, Chinese electric car makers may have another chance to challenge the U.S. leader. On the flip side, the expected **three-year wait for local production of Tesla** might represent a setback for Shanghai's free-trade zone (FTZ). Elon Musk, Chief Executive of Tesla, said that the company was three years away from making cars in China, playing down speculation that it could soon reach an agreement with the Shanghai government to set up its local plant.

Tesla was expected to start making vehicles in Shanghai's **Lingang New City**, part of the city's free-trade zone, after both parties admitted they were in talks. For Tesla, a local factory effectively helps it slash transport and production costs to better tap the Chinese market. As a Tesla plant would require a complete industry supply chain it would bolster the city's ambitions of becoming a global innovation hub. Two sources with knowledge of the local government's thinking said that the local partner for a potential joint venture was a sticking point during the negotiations. SAIC Motor and Shanghai Electric were among the candidates to set up ventures with Tesla.

The delay gives other players "a great opportunity and enough time to develop their new generation of electric cars", said Peter Chen, Shanghai-based engineer with U.S. components maker TRW. "When Tesla eventually lands in the market in three years or even later, competitors may be able to churn out cars that can compete." A number of Chinese carmakers including Nio and Future Mobility Corp (FMC) are aiming to become Tesla challengers with their own designs.

China pledges to cut import tariffs ahead of Trump visit

China will lower tariffs and step up bank financing to support more imports as the country's massive trade surplus has a negative impact on its citizens, Vice Minister of Commerce Fu Ziying said. China runs a vast trade surplus and has been accused by other countries including the United States of protecting domestic firms through unfair trade practices including high import tariffs. U.S. President Donald Trump is set to visit China this week, with the trade relationship expected to be a major topic of discussion.

"**A trade surplus that is too large has a negative impact** on Chinese people's enjoyment of national wealth. Only by reducing the trade surplus can Chinese people feel a greater sense of gratification," said Fu. China will **lower import tariffs on consumer products**, encourage banks to expand import financing and increase imports of advanced technological equipment and key components, said Wang Bingnan, another Vice Minister of Commerce. The Chinese government will amend the Catalog of Encouraged Technologies and Product Imports, and expand imports of advanced equipment and key manufacturing components.

"The Ministry of Commerce and other departments will further improve and refine policies, and work to create an environment that is fair, law-based, international and simplified, to promote the healthy and stable development of foreign trade," Wang said. Details were not provided on what kind of products would be affected. U.S. President Donald Trump called the U.S. trade deficit with China "embarrassing" and "horrible" ahead of his trip to five Asian countries, including China.

According to the Ministry of Commerce, U.S. exports to China grew by an average of 11% over the past decade, much higher than the overall growth of 4% in U.S. exports during the same period.

Inspur to offer fintech services along Belt and Road

Inspur, China's largest server maker, is partnering with four global IT companies – Cisco, IBM, Ericsson, and Diebold Nixdorf – to form a strategic digital economy alliance for the country's "Belt and Road Initiative", aimed at **providing data centers and fintech-related services** in economies along the trade route. The alliance, initiated by Inspur, will receive state funding and support from China's National Development Bank (NDB), the Export-Import Bank of China, and China Export and Credit Insurance Corp. Its goal is to provide tech and financial solutions, including big data, cloud computing, and fintech-related services, said Sun Pishu, Inspur's Chairman and CEO.

"We hope the partnership with these top global tech firms and state-level financial organizations will help Belt and Road countries solve fund shortages and technology bottlenecks," he said. The **Belt and Road Initiative** – proposed by Chinese President Xi Jinping – plans to rekindle the historic Silk Road trading routes and create a blueprint for future global economic development. The routes go through around 60 countries and regions from Asia to Europe, and also include Oceania and East Africa. During the first nine months of this year, non-financial investments in the economies along the routes by Chinese companies were worth USD9.6 billion, or **12.3% of total foreign investments** during the period, according to China's Ministry of Commerce (MOFCOM).

China: from world factory to innovation-driven nation

China is transforming from being the world factory to an innovation-driven nation by embracing a fresh wave of innovation, according to a report by Swiss financial firm **UBS**. China's total research and development investment registered an 18% compound average growth rate between 2006 and 2016. If the same momentum is maintained, **China will become the world's second largest R&D investor** after the United States by 2020, with such investments accounting for 2.5% of the total GDP.

The country is also home to the second-largest number of so-called **unicorn companies**, next only to the U.S. Such companies have a market value over USD1 billion each and have been operating for over 10 years. About 20% of these Chinese companies have made technology breakthroughs while the remaining 80% have made innovations in business models, explained Hou Yankun, Chief China Strategist at UBS Investment Bank China. The innovations have been concentrated in five major areas: **education, fintech, electric vehicles, artificial intelligence and big data computing**, according to the report. "China has been making significant progress in scientific research, given the number of patents applied in the country every year and the published Science Citation Index papers," said Hou.

In terms of fintech, Alipay is one of the best examples, as it outnumbered Visa and MasterCard in 2016 in total online transaction volumes. Meanwhile, China has 40% of the global market share of electric vehicles, with annual sales totaling 500,000 units in 2016. China has produced 76% more papers on the study of artificial intelligence (AI) than the U.S. in 2016 and 2017, also overtaking the latter in terms of the citation rate. China has also retained the world record in big data computing speed for three consecutive years since 2014, the China Daily reports.

Big Four banks report profit growth

China's big four state-owned banks reported profit growth across the board in the third quarter. **Net income** at the four lenders — the Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB), and Agricultural Bank of China (AgBank) — **all grew in the low single digits** for July-September year-on-year, according to filings with the Hong Kong Stock Exchange.

ICBC, the world's largest bank by assets, reported a net profit of CNY75 billion for the third quarter, up 3.35% annually. Quarterly results for BOC were hurt by impairment charges and it reported the lowest net profit growth of the four, up just 0.10% year-on-year to CNY41.82 billion. Net earnings for CCB climbed to CNY62.9 billion for the quarter, up 4.1% annually. AgBank's net profit rose 4.89% year-on year to CNY51.42 billion.

Lending income at CCB, BOC and ICBC all grew more than 10% in the July-September period compared to last year. BOC led the pack, with growth in lending income for the three months up 15%. "This quarter represents the banks' efforts to boost results to complete full-year targets," Hao Hong, Chief Strategist and head of research at Bocom International Holdings in Hong Kong told Bloomberg News. **"Banks are loosening credit despite all the talk about deleveraging."**

BOC was the only one of the big four banks to see its non-performing loan (NPL) ratio rise for the quarter, up 1.41% at the end of September from 1.38% at the end of June. The ratio is a focus for analysts worried about the rapid rise of debt in the Chinese economy. AgBank has the highest NPL ratio of the four banks, standing at 1.97% at the end of the third quarter, down 0.4 percentage points compared to the end of 2016, the Shanghai Daily reports.

CICC: why the bears are wrong about China's economy

Those who fear China is headed for a hard landing or a deep depreciation of its currency have overestimated the country's debt problem and underestimated its potential to urbanize, according to a research note by the **China International Capital Corp (CICC)**.

Liang Hong, Chief Economist of the investment bank, wrote in a report that **China's high leverage ratio was backed by high savings** and "it does not mean there's any credit crisis or liquidity risks". For instance, while Chinese firms are accumulating debts, they are also sitting on big piles of money as "the amount of cash at the disposal of Chinese companies can cover about 40% of corporate debts", Liang said in the report.

Meanwhile, **China was not experiencing a housing glut** because – nationwide – supply cannot meet demand, Liang noted, adding that the economic recovery had just begun and was expected to continue in the coming years. The stock market rout and sudden yuan devaluation in the summer of 2015 fanned worries of a China crisis. Kyle Bass, Founder of Hayman Capital, was one of those who feared the worst. In early 2016, he said losses at Chinese banks could be four times bigger than those suffered by American lenders during the global financial crisis, predicting a 30% devaluation of the Chinese currency. Recently he added that President Xi Jinping "will be blamed for recklessly building the Chinese economy on a foundation of sand", Bloomberg reported.

But the doomsday scenario has not materialized and the yuan instead appreciated against the dollar this year, while headline growth has gained speed. CICC said it expected the yuan to appreciate slightly against the U.S. dollar towards 6.48 by the end of 2018, the South China Morning Post reports.

China's statistics bureau to take over accounting of provincial GDP data

China's National Bureau of Statistics (NBS) will take over data collection at the regional level from 2019, replacing the current system in which the combined economic output of the nation's provinces has long exceeded the official total for the country as a whole. NBS Deputy Director Li Xiaochao said there had been significant improvement in the long-standing discrepancy between national and regional GDP data.

The government has stepped up inspections of potentially fraudulent data and was working towards **unifying the accounting systems used by national and local authorities**. "The problem of discrepancy between regional and national GDP data has significantly improved, but the gap is still large," Li said. "This situation is not conducive to accurately understanding regional economic trends, scientifically implementing macroeconomic controls, and impacts the **credibility of government statistics**," Li added.

The gap has been narrowing, but the discrepancy between provincial GDP and the national figure was still CNY2.76 trillion last year, according to Reuters calculations. Several cases of falsified government data have been publicized over the past year, with high-level officials pledging harsh penalties for making fraudulent submissions.

Guangzhou is China's most livable major Chinese city

Guangzhou is China's most livable first-tier city, according to the **Global Urban Competitiveness Report 2017-2018**, released by China's National Academy of Economic Strategy and UN-Habitat. Guangzhou ranked 15th on the economic competitiveness index for 2017, reported a GDP of USD290 billion last year, on par with Israel's, and an average per capita GDP of USD20,000.

The report views positively Guangzhou's ability to continue to increase its population because of its **housing affordability**. In 2016, its permanent resident population reached 14.04 million – 542,400 more than at the end of 2015, ranking it **first** among the country's first-tier cities **in population growth**, according to the report.

A comparison of prices of more than 150 items last year by the Economist Intelligence Unit (EIU) ranked Hong Kong, Shanghai, Shenzhen and Beijing as the second, 16th, 21st and 47th most expensive cities in the world. Guangzhou was in 69th position. According to the survey, its **cost of living** in 2016 was **23% lower** on average when **compared with Shanghai**. Buying an apartment in Guangzhou is also much more affordable than in neighboring Shenzhen. Tokyo, which ranked 7th on the economic competitiveness index in 2017, is another city that shows how improvements in housing affordability can positively affect a city's global competitiveness, according to the report. Tokyo reported very high housing prices and low affordability around 1990, but the situation has changed significantly in recent years. Compared with other major cities in East Asia, the Japanese capital has become a destination with a relatively low ratio of housing prices to income. This change has attracted an increasing number of foreign students and foreign highly skilled workers to the city.

Shanghai and Beijing will have to make housing much more affordable if they want to attract skilled employees and improve their competitiveness.

Wuhan launches the world's most advanced civilian quantum communication network

Wuhan, the capital of Hubei province, launched the world's most advanced civilian quantum communication network, and will soon connect all the city's government bodies, financial institutions and other entities to allow the **secure transmission of classified information**, according to project managers. A launch ceremony was held during a laser technology forum in Wuhan hosted by the China Aerospace Science and Industry Corp (CASIC), the major builder of the network.

The company mainly develops and produces missiles and carrier rockets but also invests heavily in laser technologies and instruments, which are key components of a quantum communication network. CASIC said that the network's operation will ensure the "absolute safety" of the transmission of classified information and will boost the efficiency of such communications. The Wuhan network will become fully operational before the end of this year, and be extended to eight cities surrounding Wuhan.

Quantum communications are theoretically **impossible to wiretap or intercept**. Trials for intracity quantum communication networks have started between Beijing and Shanghai and between Hefei and Jinan. The world's longest quantum communications network, the 2,000-kilometer **Beijing-Shanghai network**, was put into service in late September.

China to drop GDP targets from 2021

China will not set a target to double its gross domestic product (GDP) from 2021 on, and it will put **more emphasis on quality of growth**, Yang Weimin, Deputy Director of the Office of the Central Leading Group on Financial and Economic Affairs said. "China's main social contradiction has changed and its economic development is moving to a stage of high-quality growth from a high-rate of expansion of GDP," he said. "The biggest problem facing us now is the inadequate quality of development."

In his keynote speech at the start of the National Congress of the Communist Party of China on October 18, General Secretary Xi Jinping said China would **deepen economic reforms** as it transitions from high-speed to high-quality growth. Xi did not announce a GDP growth rate for next year. China has put forward a target of doubling its GDP and per capita income in the decade leading up to 2020. It is expected to meet that target based on the current rate of growth. Economists estimate an annual GDP growth of 6.3% is needed in the coming three years to meet the goal. GDP growth is widely expected to come close to 7% this year. "It is not that we will no longer pursue high growth rates. What we want is to make efforts to solve the problem of unbalanced and inadequate development," Yang said. By prioritizing quality, China is trying to make growth more sustainable.

UBS economists expected China to implement tougher environmental regulations through production cuts and capacity closures this winter and push for faster state-owned enterprise (SOE) consolidation and mixed-ownership reform next year, the China Daily reports.

Foreign firms may have to keep China data in China

China's controls on data flows in and out of the country are likely to become even stricter, according to the draft of the **Cybersecurity Law**. The law will **apply to all companies dealing with China**. Companies in China are already required to store data on local servers, but the new rules appear to require any company doing business with a Chinese entity, even those based overseas, to leave China-related data in China.

Most multinational companies are aware of the law, the text of which was finalized and issued in November 2016, and has been in force since June. It was assumed by many that the final implementing regulations would be less onerous than the law suggested. But implementing regulations have been issued piece by piece over the past few months, and there are **no exemptions, no relaxations**. It was previously hoped this would only be imposed on operators of "critical information infrastructure". But it appears this is no longer the case. In April 2017, draft "Measures on Security Assessment relating to Export of Personal Information and Important Data" were issued, providing that all personal information and "important data" collected and generated by "network operators" must be stored within China. "Network operators" is so broadly defined that it covers pretty much any company that stores data on linked computers.

This echoes the EU's General Data Protection Regulation (GDPR). If personal data is included, network operators must obtain consent from the personal data subject, and even if personal data is not included, other data that might be considered important can only be sent outside China after a security assessment. This requirement is commonly referred to as the **"data localization requirement"**. In May 2017 a new set of guidelines also implied that any "network operator" was covered by the data localization requirement. "Important data" does not just mean state secrets. It includes business and commercial information as well. The data localization requirement arises between group companies. The Chinese subsidiary of a British company would need to obtain consent from its Chinese employees before sending human resources records to the head office in Britain. A company that is not registered in China but that conducts business in or provides products or services to China must also be deemed as conducting "operations within the territory of China" and is covered by these regulations, Nicolas Groffman, Partner at law firm Harrison Clark Rickerbys, writes in the South China Morning Post.

U.S. and China to recognize each other's aircraft safety approvals

The U.S. and China agreed to recognize the other's aircraft safety approvals, which may boost the Asian nation's aviation industry and make it easier for companies like Boeing to sell products in China. The **U.S.-China Bilateral Aviation Safety Agreement** was announced before President Donald Trump is set to travel to China on November 8-10 on a trade mission with representatives from about 40 companies, including executives from Boeing.

Each nation will move toward **automatic approvals** of aircraft designs, manufacturing and equipment, the Federal Aviation Administration (FAA) said. The agreement is similar to those between the U.S. and Canada, and the U.S. and Europe. Since 2005, China has consulted extensively with the FAA and adopted much of the U.S. system of aviation regulation. Under the agreement, the FAA and the Civil Aviation Administration of China (CAAC) will recognize the other's regulatory systems for aircraft and parts.

"It shows that the U.S. takes China's aviation industry seriously and that it regards their civil aviation officials as reliable partners," Richard Aboulafia, Industry Analyst with the Teal Group Corp said. China went from being an insignificant buyer of airliners in the early 2000s to the world's largest in 2015, he added. The country lost the lead last year, but is expected to remain **one of the biggest aircraft markets** for decades. The agreement may also help speed international approvals for the first Chinese aircraft designed to compete against single-aisle planes made by Boeing and Airbus. State-owned Commercial Aircraft Corp of China (Comac) tested its C919 jet in May. The company has orders for 730 planes pending certification from regulators. In July, the company also won approval to start mass production of a separate, 90-seat regional jet, the ARJ21, the South China Morning Post reports.

101 new Chinese billionaires in 2016

There were more billionaires in Asia than in the United States for the first time last year – and half of them were Chinese, according to a report by UBS and PricewaterhouseCoopers (PwC). China had by far the highest number in the region, with 101 new billionaires added to the list for 2016 – taking the country's total to 318. There were 637 billionaires across Asia in 2016, up nearly 25% from the previous year. In the U.S., the number increased 5% to 563, while in Europe there were only three new additions to the rich list for a total of 342 billionaires, the report said. "Virtually **all Chinese wealth has been self-made in the past two decades**," said James Chang, Partner with PwC China.

Unlike in the West, owners of conglomerates make up 23% of China's rich club, according to the report. New billionaires could emerge from the country's fintech and advanced manufacturing sectors in the future, Chang said. He added that wealthy entrepreneurs were still keen to diversify with an overseas portfolio, despite Beijing's capital controls and curbs on some outbound investments. **In China**, where **the rich list is growing at the fastest pace**, the average age of billionaires was 55 – younger than the average of 67 in the U.S., and 66 in Europe. The average wealth of Chinese billionaires was USD2.5 billion.

Ten new billionaires joined the list in Hong Kong last year, bringing the number to 69. The city's billionaires had an average age of 66 and they were worth an average USD4 billion each. "According to the Asian billionaires we interviewed for this report, a combination of geopolitical stability in Greater China, rising Chinese real estate prices, infrastructure spending, the growing middle class and buoyant commodity prices all joined together to boost wealth," the report said. "Our analysis shows that, if current growth trends continue, the total wealth of Asia's billionaires will overtake the U.S. in four years." The wealth of the world's 1,542 billionaires went up by 17% last year to a total of USD6 trillion, the South China Morning Post reports.

In China, the wealthiest did not always hang on to their billionaire status for long. "Although the number of new billionaires in China was far ahead of other countries in 2016, **Chinese billionaires' wealth fluctuated the most**," Chang said. Thirty-four Chinese dropped off the rich list last year – making up 43% of those who became former billionaires around the world in 2016. "Many of China's young billionaires sit just above the billion-dollar mark, making them vulnerable to reversals of fortune – whether in the form of unstable markets, policy changes, industrial restructuring, their own operation and management issues or other factors," Chang said.

New home prices stop rising in 15 cities

New home prices in China's 15 hottest markets stopped rising for the second consecutive month in September as policies designed to **curb speculation** continued to work. Tianjin, Nanjing, Shenzhen and Chengdu were the cities where the price of new homes remained unchanged from August while the other 11 all registered decreases ranging from 0.1% to 0.6%, according to the National Bureau of Statistics (NBS), which tracks property prices in 70 major cities. On a yearly basis, signs of cooling continued with all 15 cities recording slower growth or larger decreases.

New home prices in Beijing and Guangzhou rose 0.5% and 9.4%, respectively, from the same period a year ago, compared with the increases of 5.6% and 13.3% registered in August. In Shanghai and Shenzhen, property prices fell 0.1% and 3.8% in September from a year earlier, compared with a gain of 3.2% and a decline of 2% in August. "Across the country, first-tier cities continued to record month-on-month price decreases in both new and pre-occupied markets while either unchanged or slower growth was registered in second and third-tier cities, as rein-in measures remained effective," NBS Statistician Liu Jianwei said. Nationwide, **18 out of the 70 cities witnessed month-on-month price drops** in their new home markets, unchanged from August. In the pre-occupied housing market, 13 cities suffered price setbacks from a month ago, an increase of two from August. On a monthly basis, new home prices in the 70 monitored cities rose 0.19% on average in September, down 0.05 percentage points from August. On a yearly basis, new home prices rose 6.53% on average, a slowdown of 1.7 percentage points from August.

"On both a monthly or yearly basis, third-tier cities posted the fastest price growth while first-tier cities showed the most obvious signs of cooling, indicating differentiated tightening policies implemented in different areas of the country," Xia Dan, Senior Researcher at the Bank of Communications (BoCom), wrote in a report. Since late September, a number of second-tier cities, including Chongqing, Nanchang, Changsha, Xi'an and Guiyang, as well as some third-tier ones such as Guilin and Beihai have rolled out further control measures, mainly by introducing a lockup period for home sales. Chinese authorities have constantly reiterated that "houses are built to be inhabited, not for speculation," Xia said. Minister of Housing and Urban-Rural Development Wang Menghui said the property market would see stabilizing prices and slower growth in transaction volume in the fourth quarter, the Shanghai Daily reports.

Strict tightening measures currently being imposed on China's housing market will not be eased any time soon, and could become even tougher, after analysts scrutinized President Xi Jinping's report to the 19th Communist Party Congress. As a result, national home sales will continue to weaken despite fairly strong demand, they added. National **property sales by floor area in September dropped** 1.5% year-on-year, the first fall in growth since March 2015. The authorities are also working on a "long-term mechanism" for real estate regulation.

China lifts ban on soft cheese imports after clarification on 'non-harmful' bacteria

Fans of soft cheese in China have reason to celebrate after the country reversed a ban on **mould-ripened cheeses**, allowing imports of Camembert, Brie and Roquefort, European Union officials said. From early September, businesses in the country were forbidden from importing cheeses made with certain moulds and bacteria. The ban was lifted following meetings between European Commission representatives and Chinese quarantine and health officials, the EU's China Delegation said in a statement.

The National Health and Family Planning Commission issued a note to customs authorities clarifying that bacterial cultures used for the production of these cheeses were not harmful to consumers' health, thus allowing trade to resume, according to the Delegation. The statement added that China's cheese quality standards were "outdated," and that the Delegation and French Embassy would organize a seminar with Chinese experts to "limit the risk of such events recurring in the future".

Axel Moreaux, Manager of French restaurant Paradox in Beijing said that he ban was in place for a short time, so it hadn't affected its business. "It's a real relief," said Vincent Marion, co-founder of **Cheese Republic**, one of China's leading online cheese seller. "It is now written in black and white that this category of cheese is legally importable. So it is very positive for the French and European dairy industry," he said.

China has seen a series of scandals over food safety but Western products are widely seen as made to higher standards. Dairy products are not a typical part of the Chinese diet, but in recent years cheeses such as mozzarella have become popular as more Chinese hanker after Western dishes such as pizza.

China to cut business taxes by USD150 billion this year

China will **cut the tax burden on business** by at least CNY1 trillion this year through its new value-added tax (VAT) regime and fee cuts, Chinese Finance Minister Xiao Jie forecast. The switch to the new VAT system in 2013 had saved businesses about CNY1.6 trillion in taxes and fees by the end of August. In absolute terms, China's fiscal revenues, mainly in the form of tax, rose 9.7% in the first three quarters from a year earlier to CNY13.4 trillion, a faster rate than the 6.9% economic growth registered in the same period.

Last year, glass tycoon Cao Dewang ignited debate over the tax burden on businesses when he declared that the administrative cost of setting up factories in the United States was lower than in China. Li Weiguang, Professor of Fiscal Science at Tianjin University of Finance and Economics, also said last year that China was taxing its businesses to death.

But Xiao Jie, who was Director of China's Taxation Administration from 2007 to 2013, disagreed. "It's part of China's supply-side reform to cut the tax burden on businesses and to help companies reduce costs," he said. "We have been implementing tax cuts and fee reductions on a massive scale in recent years." He said that in addition to tax changes, China had exempted some Chinese companies from compulsory social welfare contributions. Other pilot schemes were under way in designated industrial parks. Xiao also said China's fiscal deficit would fall within the budgeted CNY2.38 trillion this year, and the national **fiscal deficit to GDP ratio would be below 3%** thanks to stronger-than-expected economic growth.

The Ministry of Finance was looking at ways to install a **local government debt ceiling** for each region as a way to manage risks, underscoring that debt incurred by local government financing vehicles was not "governmental" but "corporate". Minister Xiao added that there was one new type of tax that could be launched in China – property tax."The preliminary work for legislation is under way. Property tax relates to every family and every taxpayer, and it requires ample research and study," he said, as reported by the South China Morning Post.

FCCC FOUNDING MEMBERS

FCCC STRUCTURAL PARTNERS

IN COOPERATION WITH

Your banner at the FCCC website or newsletter

Companies interested in posting a banner/an advertisement on the FCCC website, FCCC weekly newsletter or bi-weekly sectoral newsletters are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members of the Flanders-China Chamber of Commerce

Chairman: Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
Vice-Chairmen:
Mr. Bart De Smet, Chief Executive Officer, NV AGEAS SA
Mr. Philippe Van der Donckt, Business Development Director, NV UMICORE SA
Secretary and Treasurer: Wim Eraly, Senior General Manager, NV KBC Bank SA
Executive Director: Ms. Gwenn Sonck
Members of the Board of Directors and Founding Members:
Mr. Stefaan Vanhooren, President Agfa Graphics, Member of the Executive Committee of the Agfa Gevaert Group, NV THE AGFA-GEVAERT GROUP SA
Mr. Christian Leysen, Executive Chairman, NV AHLERS SA
Mr. Filip Pintelon, Senior Vice President, GM Healthcare, NV BARCO SA
Mr. Philip Eyskens, Senior Vice President Legal, IT and M&A, NV BEKAERT SA
Mr. Philip Hermans, General Manager, NV DEME SA
Mr. Bart De Smet, Chief Executive Officer, NV AGEAS SA
Mr. Wim Eraly, Senior General Manager, KBC Bank SA
Mr. Johan Verstraete, Vice-President Marketing, Sales & Services Weaving Solutions, NV PICANOL SA
Mr. Philippe Van der Donckt, Business Development Director, NV UMICORE SA

Membership rates for 2017 (excl. VAT)

- SMEs: €385
- Large enterprises: €975

Contact

Flanders-China Chamber of Commerce
Offices: Ajuinlei 1, B-9000 Gent – Belgium
New telephone and fax numbers: Tel.: +32/9/269.52.46 – Fax: ++32/9/269.52.99
Registered office: Zenith Building, Koning Albert-II laan 37, 1030 Brussels
E-mail: info@flanders-china.be
Website: www.flanders-china.be

Share your story

To send your input for publication in a future newsletter mail to: info@flanders-china.be

The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com . Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.