Newsletter

18 September 2018

FCCC/EUCBA ACTIVITIES

Seminar: Compliance: a New Challenge for Foreign Businesses in China
Thursday, 20 September 2018 – 12:00 – Ghent

The Flanders-China Chamber of Commerce is organizing a seminar:

Compliance: a New Challenge for Foreign Businesses in China.
Thursday 20 September at 12h00 at Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent.

Keynote speaker:

Mr. Philippe Snel, founder and managing partner of De Wolf Law, started his China practice in 2001. He has been a member of the Brussels Bar since 1997. Philippe helps foreign investors establish, develop and operate their businesses in China. He mainly advises in the fields of corporate law, compliance and technology transfer.

Most foreign managers in China will tell you that the most important challenges they face today are linked to the increased regulation of their daily operations. This is because Chinese authorities have been clamping down on all sorts of administrative irregularities and code violations.

Factories are being shut for breaching environmental regulations, companies are being fined for failing to fulfill obligations for the overtime work of their employees, foreign employees are denied working permits for failing to meet the required conditions, companies are faced with audits from local tax bureaus , commercial practices are being investigated for alleged breach of anti-bribery regulation, etc...

In many ways, these changes are good for Western companies, but these changes come with challenges. Philippe Snel will be addressing these issues and more.

In particular, he will focus on providing answers to questions frequently faced by the managers in the headquarters about how they should approach such situations when they occur in their China subsidiaries.

Programme

12:00-12:30	Registration & Networking Lunch
12:30	Introduction by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
13:30	Presentation by Mr. Philippe Snel, Managing Partner, De Wolf Law Firm

Practical Information

Location: Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent.
Parking: Holiday Inn Gent Expo, Maaltekouter 3, 9051 Gent

Price for members: € 65 (excl. VAT)
Price for non-members: € 85 (excl. VAT)

If you are interested in attending, please **subscribe before 19 September 2018 via this link.**

Contact: info@flanders-china.be

Seminar: China and the WTO White Paper Presentation & Opportunities on the Chinese Market – Friday, 28 September 2018 at 9h30 – Tangla Hotel, Brussels

The Embassy of yhe People's Republic of China to the Kingdom of Belgium and the Flanders-China Chamber of Commerce are organizing the seminar:

China and the WTO White Paper Presentation & Opportunities on the Chinese Market
Friday 28 September 2018 at 09h30
Tangla Hotel Avenue E. Mounier 5, 1200 Woluwe-Saint-Lambert, Brussels

The programme is as follows:

9:30-10:00 Registration

Part I
10:00-10:05 Opening Remarks by Mr Guo Jianjun, Economic and Commercial Counsellor, Embassy of the P.R. China in Belgium

10:05-10:15 Brief introduction by **H.E. Mr CAO Zhongming, Designated Ambassador of the People's Republic of China in Belgium**

10:15-10:25 Speech by Belgian side

10:25-10:35 White Paper Presentation by Mr Guo Jianjun

10:35-10:45 Speech by Mr Patrick Van Gheel, Director Federal Public Service Foreign Affairs

10:45-11:00 Coffee break

Part II
11:00-11:40 Panel BCECC (names tbc)

11:40-12:20 Panel Flanders-China Chamber of Commerce
Moderator: Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
Mr Curd Vandekerckhove, Vice-President Operations, **Bekaert**
Mr Filip Pintelon, Senior Vice-President & General Manager-Healthcare, **Barco**
Mr Lieven Danneels, Owner and CEO, **Televic**
Prof. Dr. Ir. Luc Taerwe, Director China Platform, **Ghent University**

12:20 Walking lunch

Interpretation: English-Chinese simultaneous

Practical Information

Location: Tangla Hotel, Avenue E. Mounier 5, 1200 Woluwe-Saint-Lambert, Brussels

Participation is free of charge
If you are interested in attending, please **subscribe before 25 September 2018** via this link

Contact: info@flanders-china.be

China Mini EMBA+
London – 28-29 September 2018
China – 29 October – 2 November 2018
Paris – 30 November – 1 December 2018

Are you looking to be conversant in both Eastern and Western business worlds – leading with a global perspective and China insight?

As China becomes part of the global ecosystem, innovative business models are being created in China that present significant challenges and opportunities for Western companies, demanding new knowledge, new skills and new networks. Based in London, CKGSB Europe continuously seeks to discover Western executives and entrepreneurs who either lack original China insight or are searching for the right partner with whom to do business successfully with China.

The China Mini EMBA+ consists of three intensive modules (nine days in total) designed to help busy senior professionals gain the latest China knowledge and network with China's globally successful entrepreneurs and companies – our trusted alumni – directly impacting your business performance and activating a results-driven China strategic plan.

Program Dates:
- 28–29 September – London (Friday and Saturday)
- 29 October–2 November – China (Monday to Friday)
- 30 November–1 December – Paris (Friday andSaturday)

Program Fee:
- GBP 9,800 (exc. VAT)
- GBP 8,820 (exc. VAT) – **10% discount to members of the EU-China Business Association**
- GBP 8,820 (exc. VAT) – 10% group discount – three or more participants from the same company

(The program fee includes tuition, teaching materials and selected meals during the program. The cost of travel and accommodation are not covered)

Download the information brochure for more information ...

Application deadline: End of August 2018

For more information, please visit www.ckgsb.eu
To apply please e-mail Jennifer Wang:
jenniferwang@ckgsb.edu.cn

ABOUT CKGSB
Cheung Kong Graduate School of Business (CKGSB) aims to cultivate business leaders with a global vision, a humanistic spirit, a strong sense of social responsibility and an innovative mind-set. Established in Beijing in November 2002 with generous support from the Li Ka Shing Foundation, CKGSB is an independent, non-profit business school.

- 10,000+ alumni of which more than 50% are at the CEO/Chairman level
- CKGSB alumni lead one fifth of China's most valuable brands
- 400+ China-specific cases and reports
- 70+ global academic awards by faculty

More information about CKGSB ...

To find out more about the school, please visit english.ckgsb.edu.cn

European Business Delegation to China – 31 October – 2 November 2018 – Jinan and Weihai

According to the World Intellectual Property Organization, China has just made it into the top 20 of the most innovative countries. To be held in Jinan, the flourishing capital of one of China's most populous provinces, the **2018 Sino-German SME Cooperation and Communication Conference (SMEC 2018)** is a flagship event of the intelligent manufacturing and artificial intelligence community. With the topic "Gather Intelligence for Innovation, Energize Industries for Future", this year's conference provides a platform for experts and professionals in automation and intelligent manufacturing from academia and industry to share ideas and to present the latest scientific and technical advances.

Proposed conference subtopics covered:
▶ Intelligent Manufacturing
▶ Life Science
▶ AI and Big Data
▶ Talent Recruitment & HR Development

We hereby cordially invite you to attend the conferences as a member of the **European Business Delegation to China – "Gather Intelligence for Innovation, Energize Industries for Future"** 31 October to 2 November 2018, Jinan (Shandong, PR China)

Please note: The number of participants is limited!

You may apply for your international travel expenses (international flights, accommodation, airport transfer in China) to be covered by the conference organizer in Jinan! Representatives of industry companies will be preferably selected.

As a member of the Delegation, you will be able to gain insights into the most recent developments in the field, meet high-ranking government representatives as well as top-level executive staff of Chinese and European enterprises. As a regional transportation junction, Jinan is conveniently located near the east coast between Beijing and Shanghai, with more than 60 trains per day connecting it with both cities.

Please note that the deadline for registration is **17 September 2018**.

Contact: gwenn.sonck@flanders-china.be

Please make sure your passport has at least one pair of blank facing visa pages and is at least 6 months valid from date of departure.

Visit to Weihai

The Flanders-China Chamber of Commerce (FCCC) and the City of Weihai have a long-term cooperation. Several members have already invested in Weihai, such as Bekaert, Beaulieu and the Huiyin Solar Group.

Weihai is a modern, dynamic city with a population close to 3 million. They are actively looking for new European partners. The city was also classified as one of the top 40 cities with the best investment environment in China. Weihai has a diversified economy, with industrial clusters focused on: automotive, medicine, medical devices, electrical and communication equipment, machinery manufacturing, food processing, textiles, and garments. Weihai is also looking to attract investment in new industries, such as: intelligent equipment, marine bio industry, and the Internet of things (IoT).

The FCCC would be happy to introduce you to leading Weihai companies that are looking for potential business partners. We believe you will be impressed with all the opportunities in Weihai.

"European Enterprises Delegation to Weihai"
Tentative Schedule

Nov. 2 (Friday)
12:11-16:06 Arrive at Weihai by high-speed rail D6079 from Jinan
18:00-20:00 Welcome dinner

Nov. 3 (Saturday)
08:30-09:30 Brief promotion of investment environment in Weihai
09:30-11:30 Visit the Electronic Information and Intelligent Manufacturing Industrial Park, the Medical Devices & Bio-pharmaceutical Industrial Park, Wego Group Industrial Park and Wego Products Exhibition Hall
12:30-14: 00 Lunch
14:00-17:00 Visit Carbon Fiber Industrial Park, Weida-Rehn Machinery Co., Ltd, Marquardt Switches (Weihai) Co., Ltd
18:00-20:00 Dinner

Nov.4 (Sunday)
08:55-10:30 Leave for Beijing from Weihai Airport
For more information, send an email to gwenn.sonck@flanders-china.be

FOREIGN TRADE

New U.S. tariffs on USD200 billion of Chinese imports, China retaliates with tariffs on USD60 billion, planned negotiations canceled

U.S. President Donald Trump has announced his decision to impose a 10% tariff on an additional USD200 billion of Chinese imports starting on September 24, on top of the 25% tariffs already in force on USD50 billion of Chinese imports. The tariff rate on the latest batch of goods will rise to 25% on January 1, 2019. The new tariffs would apply to more than 1,000 products, including smartphones, televisions, toys, and a range of other products. Some products, such as smartwatches, were left off the list. These penalties could drive up the cost of a range of products ahead of the crucial holiday shopping season. These tariffs are paid by U.S. companies that import the products, though they often pass the costs along to U.S. consumers in the form of higher prices.

China retaliated by announcing it will impose tariffs on USD60 billion of U.S. imports, effective on September 24. Trump said that in case China retaliated, he would immediately pursue **phase three, which is tariffs on approximately USD267 billion** of additional imports. This move would subject all Chinese imports of roughly USD500 billion to tariffs. The U.S. president blamed “unfair policies and practices” for the escalation. “For months, we have urged China to change these unfair practices, and give fair and reciprocal treatment to American companies. We have been very clear about the type of changes that need to be made, and we have given China every opportunity to treat us more fairly. But, so far, China has been unwilling to change its practices,” Trump said.

President Trump has accused China of a number of unfair trade practices. He wants China to buy more American products, open up China to more U.S. investment, and stop what he calls “stealing U.S. intellectual property”, among other accusations.

Even as President Trump imposes new tariffs, **Treasury Secretary Steven Mnuchin was planning to restart talks with Chinese leaders soon**, but they have previously announced they would not negotiate with a gun pointed at their heads. President Trump tweeted: ““We are under no pressure to make a deal with China, they are under pressure to make a deal with us. Our markets are surging, theirs are collapsing. We will soon be taking in Billions in Tariffs & making products at home.” The U.S. ran a USD233.5 billion deficit in goods trade with China during the first seven months of the year, an 8% increase compared with the same period in 2017. Corporate executives increasingly believe the trade dispute can only be resolved by direct talks between Trump and Chinese President Xi Jinping. The two leaders may see each other at the United Nations General Assembly in New York later this month and are expected to meet on the sidelines of the G20 summit in Buenos Aires in November, the South China Morning Post reports.

China is putting off accepting license applications from American companies in financial services and other industries until Washington makes progress toward a settlement of the ongoing trade war, Jacob Parker, Vice President for China operations at the U.S.-China Business Council (USCBC) said. The license delay applies to industries Beijing has promised to open to foreign competitors, such as banking, securities, insurance and asset management. **Chinese authorities denied that licenses were delayed and emphasized that U.S. companies were still welcome in China.** Economists have warned that Beijing might also target service industries such as engineering or logistics, in which the United States runs a trade surplus with China.

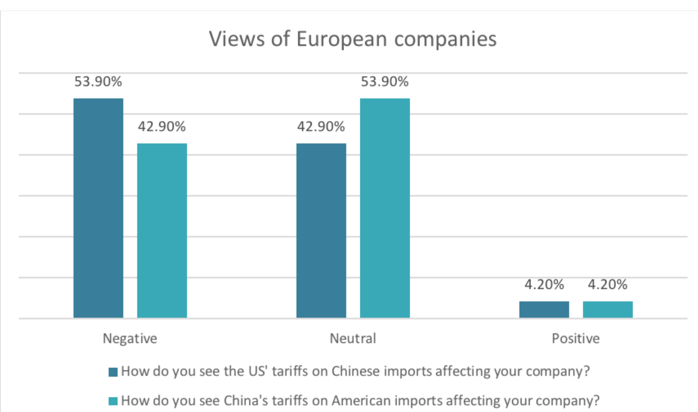
Chinese Vice Premier Hu Chunhua has called for a rejection of protectionism and said unilateral trade policies by some countries posed a “most serious hazard” to the world economy. “Some countries’ protectionist and unilateral measures are gravely undermining the rules-based multilateral trading regime, posing a most serious hazard to the world economy. We must categorically reject protectionism and unilateralism, firmly support multilateralism, and uphold the world economy and multilateral trading regime,” he said during a visit to Hanoi.

More than 60 U.S. industry groups launched a coalition, Americans for Free Trade, to oppose the imposition of tariffs. The business coalition includes groups representing some of the nation's largest companies as well as representatives of almost every sector.

Facing the trade war with the U.S., China strengthened its relations with Russia as President Xi jinping attended the fourth Eastern Economic Forum in Vladivostok and held talks with his Russian counterpart Vladimir Putin.

The economy in Guangdong is starting to suffer badly. Its purchasing managers' index (PMI) shows the province's manufacturing industry contracted in August for the first time in 29 months, with new orders falling to a 30-month low and new export orders declining for the third straight month. Some companies have already moved to Vietnam to take advantage of lower costs. South Korea's Samsung Electronics, for instance, is cutting its smartphone production in China, while at the same time strengthening its production lines in Vietnam and India, targeting rising demand in these fast-growing markets as well as making them production bases for exports to the global market.

U.S.-China tariff effects: European Chamber survey and analysis



The European Union Chamber of Commerce in China surveyed its member companies to better understand how the recently escalated tariffs on a variety of products traded between the U.S. and China **affected European firms doing business in China**. Responses were collected from 193 respondents across a wide variety of industries. This survey ended on September 3, and thus does not reflect any potential changes that may occur after that date. At the time of publishing, the Trump Administration had not yet decided to move forward with the addition of another USD200 billion worth of products imported from China to the current levies.

The U.S.-China trade war is causing significant disruptions to global supply chains and is seriously impacting companies that are neither Chinese nor American. Respectively, 53.9% and 42.9% of respondents viewed the American and Chinese tariffs negatively, which is more than ten times the number that viewed them positively.

Negative views of both country's tariffs are common among European businesses in China. However, 53.9% of members viewed the U.S. tariffs on Chinese goods negatively, roughly 12 percentage points higher than the number that reported negative views of the Chinese tariffs levied on American imports. As there are far more goods produced in China for export to the U.S. than there are produced in the U.S. for export to China, a higher proportion is expected. However, the high rate of negative views on either side of the trade war is emblematic of the degree of interconnectivity in the global economy.

Neutral views are common. This reflects the reality that **many European firms in China produce for the Chinese market**, and that many of those firms rely on local suppliers or suppliers in countries other than the U.S. Positive effects from tariffs imposed by either the U.S. or China were rare, and diffuse across sectors. There were no clear patterns for which industries were more likely to see the tariffs positively.

When asked what measures companies were taking to respond to the tariffs, roughly the same number of members reported that they are relocating out of the U.S. or China respectively, indicating that neither side is 'winning', as both are equally prone to losing companies as a result. **The most common response was inaction and continued monitoring of the situation.** However, the second and third most common responses were to hold up on investment/capital expenditure and/or to hold up on business expansion efforts. Due to some overlap in these two responses, a total of 17% of respondents that might have otherwise contributed further towards growth are opting not to do so due to the looming uncertainty caused by the trade war, according to a briefing paper by the European Chamber.

The American Chamber of Commerce in China and the American Chamber of Commerce in Shanghai also jointly released a study on the impact of the tariffs imposed by China and the U.S. on each other since July. Close to two-thirds of respondents said the tariffs are having a negative impact. The survey said **63.6% reported the initial U.S. tariffs on USD50 billion in Chinese goods are affecting their business operations**. When asked about the implementation of the possible additional U.S. and Chinese tariffs, the proportion of members who cited a negative impact jumped to 74.3% and 67.6%, respectively. The percentage reporting a “strong negative impact” doubled from 21.5% to 47.2% for the U.S. tariffs. Over 430 companies responded to the survey, the China Daily reports.

The European Union and China must urgently strengthen relations to “alleviate the disruption” to the global economy, **Nicolas Chapuis, the new EU Ambassador to China**, said. He also called for progress in discussions between China and the EU about reform of the World Trade Organization (WTO), ongoing negotiation of a China-EU investment treaty and an agreement on protecting the intellectual property of European and Chinese products. “In this shifting of the global situation, Europe must bring, with China, the building blocks of stability and prosperity,” said Chapuis at a press conference in Beijing. “This is not only important to the EU and China, it is crucial to the rest of the world, he added. Chapuis said it was normal for two big economies to have “frictions and tensions” but the EU remained open to Chinese investments. “We do not want less Chinese investment; we want more,” he said.

INTERNET

Internet of Things Expo in Wuxi showcases lifestyle of the future

The 2018 World Internet of Things Exposition is being held at the Wuxi Taihu International Expo Center in Wuxi, Jiangsu province, from September 15 to 18. The IoT expo offers new experiences in areas including intelligent driving, shopping, catering, agriculture and healthcare.

The **LTE-V2X, the world’s first citywide car networking application system**, is showcasing the concept of intelligent traffic. The V2X, short of vehicle to everything, covers vehicle-to-vehicle, vehicle-to-infrastructure, vehicle-to- internet and vehicle-to-pedestrian communications. The LTE-V2X also plays an important role in automatic driving. By analyzing real-time traffic information, the system can choose the best driving route automatically, reducing traffic congestion dramatically. Sensors can perceive the vehicle’s surroundings and react swiftly to avoid road accidents as much as possible. During the Expo, Wuxi launched a car networking system covering 226 intersections and five elevated highways across the city, aiming to serve 100,000 vehicles.

The national intelligent transportation comprehensive testing base in Wuxi plans to start **public road testing of autonomous vehicles**. The base is the first and only one of its kind initiated by the Ministry of Public Security so far. Unveiled in August last year, the testing base will cover more than 138,600 square meters upon completion at the end of 2019. The closed road for testing will be 3.53 kilometers and at least 150 different driving scenarios are included in the testing base. Total investment is about CNY1 billion. SAIC Motor and Audi China were granted testing licenses for their autonomous cars. Audi China will set up a center in Wuxi in the first quarter next year to conduct research and development as well as testing. BMW and Daimler previously already obtained licenses issued by the municipal governments of Shanghai and Beijing respectively.

An unmanned supermarket developed by China Telecom and convenience store chain Lawson is another highlight of the Expo. In the supermarket, customers can pay for goods by scanning their faces, with a half price discount included courtesy of China Telecom. According to the organizing committee of the 2018 World IoT Expo, more than 450 enterprises are taking part in the event, among which 35 are Fortune Global 500 companies. A record 180,000 visitors are expected to attend this year’s Expo. Dozens of high-level forums, discussing intelligent manufacturing, the industrial internet, artificial intelligence, big data, IoT information security, intelligent agriculture and intelligent environmental protection, will be held at the expo. Currently, more than 1,000 IoT companies have settled in Wuxi’s High-tech District, which cover all the sectors of the IoT industry chain, including semiconductor chips, cloud computing and big data, the China Daily reports.

A recent report from market consultancy IDC predicted that **China will become the world’s largest Internet of**

Things (IoT) market by 2022. The IoT market in China was already worth more than CNY1 trillion last year, and is expected to maintain rapid growth in the next few years. Smart cities, the industrial IoT, internet of vehicles and the smart home have emerged as the major four market segments. Gartner estimated that 8.4 billion connected devices were in use globally in 2017, with a 31% increase year-on-year.

CHINA NEWS ROUND-UP

Nio becomes first Chinese EV maker to list in the U.S.

Nio, the start-up trying to take on Tesla in China, **has slashed its fundraising size by nearly half** as it became the first Chinese electric vehicle (EV) maker listed in the U.S. Backed by Tencent, Nio is offering 160 million American Depositary Receipts (ADRs) at USD6.26, near the bottom of the indicative range of USD6.25 to USD8.25 per ADR. The fundraising's value now stands at USD1 billion, down 44% from the previous target of USD1.8 billion in its initial prospectus published on August 13. "An important issue is about the overall outlook of the Chinese EV sector," said Angus Chan, Shanghai-based Analyst for Bocom International. "**The competition is fierce, as many players are entering the market**, while there is only so much demand, and EV makers' short-term profitability is being questioned."

Nio's shares closed 10% up on their New York IPO debut in one of the year's largest Chinese public offerings in the U.S. Nio raised USD1 billion and has a goal to turn profitable within three to four years.

Nio is a relative newcomer to the rapidly growing Chinese market. Founded in 2014 by Li Bin, it only launched its first production vehicle the ES8 – an all-electric, seven-passenger SUV – in December last year. The company claims its cars match Tesla's models in performance, but at half the list price. The ES8 sells at a base price of CNY448,000, while Tesla's Model X comes with a whopping CNY920,000 price tag in China. The company has delivered 1,381ES8s, and also has deposit-backed orders for another 15,700, it claims. Nio only started generating revenue this year, with USD7 million in the first six months. But it suffered a net loss of more than USD502 million during the same period. The company expects its capital expenditure to reach USD1.8 billion over the next three years.

Xie Zhicai, Analyst for Huatai Securities, said that "the clock is ticking for electric vehicle start-ups to raise capital. Car making is a capital-intensive and technology-driven industry. Early-stage development already requires significant investment. It's better to be early than late to launch an initial public offering (IPO) to support subsequent capital needs from the secondary market." Chinese EV car markers are also now faced with the challenge of fighting off foreign competitors, as the country lifted the ban on foreign ownership of local car ventures at the end of July.

Tesla is preparing to set up its "Gigafactory 3" in Lingang near Shanghai's free-trade zone, with an annual capacity to produce 500,000 electric vehicles. "As soon as Tesla starts mass-producing in China, it will have a direct impact on domestic car firms," Jia Xinguang, Executive Director of the China Automobile Dealers Association (CADA), told a public forum on the future of China's EV industry in Shandong province. "There is only a window of three to five years for Chinese EV makers to come up with competitive products and services," he added. The Chinese government forecasts there will be 2 million EVs on Chinese roads by 2020, and five years later, they will be accounting for a quarter of all car sales.

But years of massive government subsidies have led to overcapacity risks. Total production capacity had already reached 5 million vehicles by the end of last year, according to an estimate by China Automotive Technology & Research Center. The government is also phasing out subsidies, affecting the profitability of domestic EV makers, the South China Morning Post reports.

Even the China's leading player in the sector, BYD, has been hit by the cut in government handouts. It said last month its net profit crashed 72% in the first half, which it blamed on the policy change. BYD said it will direct more resources into developing electric cars with longer driving ranges.

China's auto sales fell for a second month in August on weak consumer demand but **new-energy vehicles, with sales surges of nearly 50%, "have become the driving force for growth**," the China Association of Automobile Manufacturers (CAAM) said. In August, sales of NEVs soared 49.5% to 101,000 units, while production jumped 39% to 99,000 units. Sales of electric vehicles increased 31.7% to 73,000 units while 28,000 plug-in hybrid vehicles were sold last month, a jump of 130.8% from a year earlier.

China's home prices rise at fastest rate for 2 years

China's home prices rose at their fastest pace in almost two years in August, increasing the likelihood of more government tightening in the housing market. New-home prices increased 1.49% from the previous month, according to Bloomberg calculations based on data for 70 cities released by the National Bureau of Statistics (NBS). That compared with a 1.2% increase in July. It was the sixth straight monthly acceleration. Of the 70 cities, the biggest month-on-month price increase in August was a 3.4% gain in Wuxi. In Beijing, where still more tightening was announced, prices were unchanged; in Shanghai, they were up 0.1%.

The government is likely to maintain property curbs, based on fears that any relaxation will lead to another round of price surges, Zhu Haibin, Chief China Economist at JPMorgan Chase, said. Officials are seeking to keep housing affordable and limit the risk of destabilizing bubbles. "The government worries a lot. At this stage, there's no intention to relax the housing tightening," he said. For Zhu, the biggest worry in the housing sector is the diminished role of market forces in pricing and sales, as the government's "temporary" administrative restrictions become permanent. **Tightening measures** – including purchase and resale curbs, increased down-payments and price caps – **have been rolled out in 114 cities**, according to brokerage CLSA. Despite this year's price gains, China's developers are facing their gloomiest outlook for eight years, weighed down by a squeeze on financing, a looming property tax and home-purchase curbs, according to Standard Chartered.

The property market remained lukewarm in some of the country's biggest cities, however. Prices in Guangzhou and Shenzhen in Guangdong province, were up 0.9% and 0.5% respectively month-on-month. The coastal city of Xiamen experienced a 0.1% slump in prices for new homes in August, while its year-on-year rise was 0.3%. In 2017, the city had recorded the country's lowest average rental yield of just 1%, according to a report by Shanghai-based E-house China R&D Institute. At that rate, investors could expect to wait 100 years to recover their initial investment if they relied solely on rent. Sanya and Haikou, the two hottest destinations in Hainan province not only for tourists but also for home buyers, posted month-on-month increases of 0.1% and 0.9% respectively, compared with a year-on-year surge of over 20%, the South China Morning Post reports.

China is developing the industrial internet

China is beefing up efforts to boost the development of the industrial internet, which serves as a key growth engine for its digital economy. More efforts are needed to make breakthroughs in key technologies — such as chips and smart sensors — participate in international standard-setting activities, apply new industrial internet technologies and products to key industries, and accelerate development of the internet of vehicles and the internet of things (IoT), according to Miao Wei, Minister of Industry and Information technology. The industrial internet, a new type of manufacturing automation that combines advanced machines, internet-connected sensors and big data analysis, is expected to boost productivity and reduce costs in industrial production.

"We will make a big push to develop the industrial internet in three aspects," Miao said. "First, we will promote the construction of a high-speed broadband network, including 5G connections. Second, we need to build internet application platforms for large firms and public service platforms for small and medium-sized companies. Third, we must attach great importance to the safety of industrial data." Miao made the remarks at the 2018 World Internet of Things Expo in Wuxi, Jiangsu province. The industrial internet "helps give impetus to industrial transformation and upgrading, and promote energy saving and emission reduction as well as streamlined management," Miao said.

Liu Yunjie, Member of the Chinese Academy of Engineering, cited a McKinsey Global Institute report, saying new approaches to boosting productivity could generate USD5.6 trillion in additional Chinese GDP by 2030. "The industrial internet will help enhance labor production and reduce costs," Liu said. Sun Pishu, Chairman of the Chinese server maker Inspur Group, said the industrial internet was key to **the integration of the internet, cloud computing, big data, AI and the real economy**. Inspur Group said that it had set up more than 10 million processors in the country's granaries, which will provide real-time information such as temperature and humidity figures, the China Daily reports.

China building the world's largest container ships

China is building the world's largest container ships, each of which will be **able to carry more than 23,000 standard containers**. The construction of the first two megaships started in late July at the Jiangnan Shipyard Group and Hudong-Zhonghua Shipbuilding Group, both in Shanghai. Both companies are owned by the China State Shipbuilding Corp. The ships are expected to be delivered to CMA CGM, a French container transportation and shipping company, in 2020.

The Marine Design and Research Institute of China, a CSSC research arm that designed the ships, said they will be the latest and biggest in its Heracles class — named after the hero of Greek mythology. Each of the vessels will be 400 meters long and 61.3 m wide, and will be capable of moving 220,000 metric tons of cargo. **They will be propelled by liquefied natural gas (LNG), making these the first large container ships to be driven by the eco-friendly fuel**, as opposed to diesel, the traditional propellant for large vessels, the institute said. Polluting emissions will be exponentially reduced, it added. CSSC beat five world-class competitors – including Japan's Imabari Shipbuilding Co, South Korea's Daewoo Shipbuilding and Marine Engineering Co and Hyundai Heavy Industries – to sign a contract for nine 23,000 container-capable vessels with the French carrier. Yu Lai, Chief Designer of the new ships at the Shanghai institute, said that the design and construction of the gigantic vessels makes China a leader in the field of container shipping. "In the past, we followed others; now we are running ahead of them," he said. "Compared with its predecessors, this new class of container ship is larger, has a high level of automation and features better safety and environmental performance." He added that the ships will require only about 30 crew members to operate.

Currently, the largest container ships are the six vessels built by South Korea's Samsung Heavy Industries for the Hong Kong-based container shipping and logistics service company Orient Overseas Container Line. They can hold 21,413 containers, the China Daily reports.

Entrepreneurship visas now available to foreigners at technology incubators in Shanghai

Foreigners who want to quit their regular jobs and start a new company had difficulties in the past to **obtain a visa to stay in China while self-employed**. Tech incubators in Shanghai, including the K-Tech Hongqiao International Incubation Center, which already provides working space, finance options, company registration and other services, can now also assist foreigners setting up their own company to obtain an entrepreneurship or business startup visa and residence permit. One-third of the 20 startup companies working in the center were set up by foreigners.

Since 2015, Shanghai has launched 25 pilot visa policies to streamline and simplify foreigner's visa application process and to diversify the visa types to better fit the demand, said Cai Baodi, chief of the foreigner visa management division at the Shanghai Exit-Entry Administration Bureau. Among the 25 pilot visa policies, four are directly linked to foreigners opening businesses in the city. These include issuing visas that allow current international students in Chinese colleges to start businesses in the Shanghai Free Trade Zone and the Zhangjiang National Innovation Demonstration Zone, and allow foreign technological specialists or college professors to commercialize their research in those areas. **A new talent visa program now also allows foreigners to hold two jobs concurrently**, which wasn't previously allowed. Graduates with a degree from the world's top 300 universities ranked by the Center for World-Class Universities at Shanghai Jiao Tong University can also get the "entrepreneurship visa" within two years of graduation to live and work in Shanghai. Foreign entrepreneurs with a business plan and documents proving their investment and source of income can also apply.

A total of 95 entrepreneurship visas were issued in Shanghai in the past three years. Compared with a business visa, which allows the holder to stay in China no longer than six months, the permit for entrepreneurs is valid for one year with multiple entries and can be extended to a maximum of two years. A new center for entry-exit and immigration affairs will open soon in Zhangjiang, providing one-stop services, from language training and job hunting to legal consultation. It will be the first of its kind in the country, the China Daily reports.

Guangdong doubles efforts to attract foreign investors

Guangdong province, the center of China's export industry, is redoubling its efforts to woo foreign investors to counterbalance the increasing impact of the trade war with the United States. The provincial government has updated its foreign direct investment rules to give investors additional incentives to set up plants in the Pearl River Delta, the area just north of Hong Kong that is home of thousands of export businesses to cushion the economic downturn amid the escalating trade war, economists and industry insiders said.

Foreign investors will be allowed to establish solely foreign-owned enterprises in a number of key industries in Guangdong province. The industries include manufacturing of special purpose and new-energy vehicles, design, manufacturing and maintenance of ships, aircraft, helicopters weighing 3 metric tons and above, unmanned planes and aerostats, construction and operation of gas stations, international marine shipping and carriage of passengers by railway. A number of new measures will also be issued in the next three months to help attract foreign businesses to invest in high-end industries in the province. Financial rewards and preferential policies in land use will be given to qualified foreign investors. Foreign investment in Guangdong grew year-on-year by 3.1%, 0.8 percentage points higher than the national average, to CNY88.93 billion in the first seven months of 2018, the China Daily reports.

The new regulation comes amid growing signs that the trade war is hitting the province's export industry hard. Guangdong's manufacturing sector contracted in August for the first time in 29 months, according to the purchasing managers' index (PMI). The longer the trade war continues, the greater the incentive for companies now operating in Guangdong to relocate their factories to other places, such as Southeast Asia and Africa. Guangdong, in particular, faces major challenges to attract and retain businesses as its labor, land and utility costs are higher than in other emerging markets, the South China Morning Post reports.

Chinese leaders aim to avoid 'black swan' financial market disruptions

Chinese financial regulators have met again to discuss growing concern about surprise events, such as a sharp escalation in the trade war with the United States, that could severely damage China's financial markets. The discussion of what to do to avoid "black swans" that could cause major disruptions was made at the latest meeting of the Financial Stability and Development Committee (FSDC), the agency coordinating financial regulation chaired by Vice Premier Liu He. The meeting concluded that China must fine-tune monetary policy to maintain ample liquidity in financial markets to manage its economic and financial situation in the light of escalating challenges posed by the trade war.

China must "prevent all kinds of 'black swan' events to maintain a healthy development of stock, bond and exchange rate markets", according to the statement, referring to a term popularized by Nassim Taleb early this century to describe surprise events that cause significant disruptions. It was the third meeting of the FSDC in the last 100 days, reflecting Beijing's heightened alertness to financial volatility as the escalation of the trade war with the U.S. and financial turmoil in a number of emerging markets, particularly Turkey and Argentina, started to erode investor confidence. Members of the FSDC include Yi Gang, Governor of the People's Bank of China (PBOC), and Guo Shuqing, Chairman of the China Banking and Insurance Regulatory Commission (CBIRC).

But market disruptions can be hard to anticipate, said Zhou Xiaochuan, Yi's predecessor at China's central bank. Zhou said the direct impact of U.S. tariffs would be manageable for Beijing but he warned about dangers from a quick shift in mood in the markets. "We saw when the Lehman Brothers event happened – there was sudden panic and contagion, so this kind of thing is not very easy to analyze," he said. The trade war was a "major reason" for the slump in Chinese stocks in recent months, Zhou said. China's benchmark stock market index has lost about 20% of its value so far this year. Chinese authorities would use forceful measures if they felt the need to protect the financial system, Zhou said. Beijing adjusted its policy this summer to focus on stabilizing growth at home by speeding up infrastructure investment, although China's headline economic growth rate was still 6.7% in the second quarter, the South China Morning Post reports.

China's inflation hits six-month high, but trade war not to blame

China's consumer inflation rose to a six-month high in August due to higher food prices caused by bad weather and an outbreak of swine flu, though the figures showed little direct impact from the trade war with the United States.

A further sharp rise is unlikely unless the swine flu situation worsens considerably, analysts said. The national consumer price index accelerated to 2.3% in August from 2.1% in July, the National Bureau of Statistics said on Monday.

Food prices were the main driver of the increase, rising 1.7% from a year earlier, and much faster than the 0.5% gain a month earlier. Vegetable prices rose 4.3% as supplies were disrupted by the effect of heavy rains in Liaoning and Jilin provinces, and severe flooding in Shandong province. Rising oil prices continued to put upwards pressure on the index in August. Petrol prices rose 19.8% from a year earlier while diesel fuel prices jumped 22%, as a weaker yuan raised the price of U.S. dollar-denominated oil and oil product imports. Chinese core inflation, which excludes volatile food and energy prices, increased 2% in August, 0.1 percentage points higher than July. China has reported outbreaks of African swine fever in eight provinces since August, leading to the culling of tens of thousands of infected animals that has disrupted the supply of pork, the staple meat on Chinese dinner tables. While pork prices rose sharply in August, they were still 4.9% lower than a year ago.

Despite the August increase, consumer inflation remains well within the government's target of a 3% rise for the year, though an unexpected spike could create a fresh economic headache for Beijing even as it is busying trying to stabilize slowing growth at home and managing a trade war with the U.S. Liu Xuezhi, Economist at the Bank of Communications, said the current increase of consumer prices was largely due to higher food prices, which rose in part due to seasonal factors. "There were some worries in markets over imported inflation, but it was not obvious in the August data and not a major cause of the rise during the month," he said. The impact of the U.S. tariffs on prices had not been as severe as many anticipated, Liu added, as reported by the South China Morning Post. Julian Evans-Pritchard, Senior China Economist at Capital Economics, said that a significant further pick-up in inflation was unlikely.

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