Newsletter

27 November 2018

FCCC/EUCBA ACTIVITIES

Week International Entrepreneurship: China – 5 December 2018 – Antwerp

Share useful information and experience!

The Flanders-China Chamber of Commerce (FCCC), VOKA and Flanders Investment and Trade (FIT) are organizing an event on the occasion of Week International Entrepreneurship: China, on 5 December 2018 at 13h30 at VOKA, Markgravestraat 12 in Antwerp.

In 2017 Flanders exported more than €7.3 billion to China, whereby the country climbed to the 9th spot on the list of the Flemish export. The family income of Chinese consumers keeps growing, leading to a higher living standard and rising demand for services in tourism, education, medical care and leisure spending.

More than enough reasons to focus on China during the Week of International Entrepreneurship, organized by VOKA, the FCCC and FIT. Learn more about doing business with the country and network optimally with experts and colleague entrepreneurs.

Programme:

13:30	Welcome and registration
14:00	Welcome by **Jill Suetens**, Manager International, VOKA – KVK Antwerp-Waasland and **Gwenn Sonck**, Executive Director Flanders-China Chamber of Commerce / EU-China Business Association
14:15	Flemish trade with China and actions by FIT by **Michèle Surinx**, Area Manager East-Asia, Flanders Investment and Trade
14:45	Testimony on doing business with China by **Filip DeLanghe**, Urbanization Architect – Director AWG Architecten
15:05	Break

15:35 Opportunities in new China, testimony of experience by **Sven Agten**, Managing Partner, Agio Capital & Business Solutions China
16:20 Conclusion
16:30 Networking reception

Practical info:
Where: VOKA Antwerp, Markgravestraat 12, 2000 Antwerp
When: 5 December 2018, 13:30h.
Price: free of charge, however if you register but are unable to attend, inform us at least one day before the event by mail to pr.aw@voka.be In case of no or late notification we will charge you €75 (excl. TVA) per person.

More information and registration via this link

PAST EVENTS

Briefing: Growing European businesses in China in the face of international trade conflicts 26 November 2018 – The Conference Board, Brussels

The Flanders-China Chamber of Commerce and The Conference Board organized the briefing: **'How leading European companies are growing their China business in the face of international trade conflicts'.**

This briefing took place at The Conference Board in Brussels on **26 November 2018. Mrs. Gwenn Sonck, Executive Director Flanders-China Chamber of Commerce,** introduced the event. During the Briefing, a selected group of senior executives discussed "Global Economic Outlook: On Top of the World, Looking Over the Edge" and "How international conflicts are changing the west's business model in China – and how to win?" The meeting included presentations of the latest research and analysis by The Conference Board, facilitated by **Dr. Bart van Ark**, EVP, Chief Economist and **Leo Austin**, Principal Advisor to The China Center for Economics & Business.

Meeting with Chinese delegation interested in supply to pig farms – 20 November 2018 – Ghent

The Flanders-China Chamber of Commerce (FCCC), the Province of East-Flanders, and the Belgian Feed Association (BFA) organized a China Seminar on 20 November 2018 in the House of the Province.

The increased hog consumption in China provides opportunities for the export of pork meat to China as well as for the supply sector. Hog farming in China is restructuring, which provides opportunities for Flemish and Belgian enterprises in the supply sector which want to export.

The Seminar on 20 November 2018 was organized on the occasion of the visit of a large Chinese delegation from the pig farming sector and focussed on the Flemish and Belgian companies in the supply sector, including companies specialized in feedstuff, infrastructure, construction of pigsties, genetic material, vaccination and vaccines, medical materials, machines and equipment for slaughterhouses, and meat processing. During the Seminar the sector in Flanders and Belgium and research on bio-safety at Ghent University, was presented. A few companies introduced themselves, and the event was concluded with networking with the Chinese companies.

Vice Governor for the Economy and International Cooperation **Mrs. Martine Verhoeve** welcomed the participants, followed by an overview of the supply sector by BFA. **Prof. Dr. Jeroen Dewulf**, Ghent University, gave an introduction on bio-safety, followed by a short introduction by four Flemish companies in the supply sector. **Mrs. Gwenn Sonck**, Executive Director Flanders-China Chamber of Commerce, presented the conclusions of the event.

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FOREIGN TRADE

Will the G20 Buenos Aires talks and dinner lead to a truce in the U.S.-China trade war?

All eyes are now on **Buenos Aires, where on November 30 and December 1 the G20 Summit will take place** and Presidents Donald Trump and Xi Jinping are expected to hold talks and have dinner. In small signs of goodwill, China has allowed a Hong Kong port call by the U.S. aircraft carrier Ronald Reagan and White House Trade Policy Adviser Peter Navarro – famous for his hawkish points of view on China – has not been invited to the dinner, where each President is expected to be accompanied by six aides. White House Chief Economic Adviser Larry Kudlow told Fox Business News that Trump was trying to “inject a note of optimism” into trade talks with China, adding there were “very detailed communications” between China and the U.S. taking place at all levels of government.

Trump has significantly toned down his rhetoric about China and trade since late September, when the administration imposed 10% tariffs on USD200 billion worth of Chinese imports. From July 6, when Washington slapped the first round of duties on Chinese goods, to the most recent tariff announcement on September 18, Trump tweeted about China 20 times, trade 42 times and tariffs 21 times. Since then, Trump has only mentioned China five times – the latest on November 1, when he said he had “a long and very good conversation” with Xi on many subjects. Meanwhile, his administration is divided between the hardline hawks like Navarro and Lighthizer seeking maximum concessions from China versus pragmatists like Kudlow and Mnuchin who are more willing to seek a compromise – and that will make it more difficult for Trump and Xi to reach any deal.

Meanwhile, **the Office of the U.S. Trade Representative published a 53-page report with updated information about the Section 301 investigation** of China’s technology and innovation-related policies and practices. It mentions the USD2 billion acquisition of a 45% stake in California-based electric car maker Faraday Future by Evergrande Health, the Hong Kong-listed subsidiary of China’s largest property company the Evergrande Real Estate Group, as an example of how Beijing makes use of outbound investments to obtain advanced technologies favored by state industrial plans. The report also accused China of “conducting and supporting cyber-enabled theft” for gaining access to intellectual property and said the Chinese government has created and supports a web of entities with presence in Silicon Valley and other U.S. technology centers to invest in hi-tech American start-ups and other investment activities to further the industrial policy goals of the Chinese government. “This update shows that China has not fundamentally altered its unfair, unreasonable, and market-distorting practices that were the subject of the March 2018 report on our Section 301 investigation,” U.S. Trade Representative Robert Lighthizer said.

“**China is deeply concerned with the new accusations**, and urges the U.S. side to stop making statements or moves that are destructive to bilateral economic and trade ties,” Ministry of Commerce Spokesman Gao Feng said. “By putting domestic laws above international laws, the United States has broken its commitment to all members of the World Trade Organization and has disregarded and damaged multilateral rules of the World Trade Organization,” he added.

A threat by Kevin Hassett, Chairman of Donald Trump’s Council of Economic Advisers to evict China from the World Trade Organization was dismissed as “talking nonsense”. “The WTO is a multilateral organization and is not owned by the United States,” Foreign Ministry Spokesman Geng Shuang said, noting that the comment “fully exposed Washington’s bullying and the mentality of self-conceit”.

Some analysts expect the Chinese government to announce more reform and opening up policies at a gathering in December to celebrate the 40th anniversary of the country’s reform and opening up. Those policies could move China close to a reciprocal trading environment and help end the trade war. While Beijing has agreed to buy more U.S. goods to reduce its trade surplus, it has refrained from dramatically overhauling its industrial policies as Washington has requested. In a bid to reach a ceasefire in the trade war, China has offered to buy more natural gas from the U.S. and improve protection of intellectual property rights.

The U.S. is trying to “decouple” from China and retract its companies from the Chinese supply chain. But China is becoming less reliant on the U.S. for its economic health, and more intertwined with Asia. Today, bilateral trade with the U.S. accounts for 14% of China's trade flows. The U.S. share of Chinese exports in trade in value-added terms actually declined from about 30% in 2002, just after China joined the World Trade Organization (WTO), to 20% in 2011. Since the global financial crisis, China has both overtaken the U.S. as the world's largest trading nation and seen its gross domestic product growth become less dependent on exports. China's trade-to-GDP ratio is 38%. By comparison, Vietnam's trade as a percentage of GDP is over 200%. This suggests China is less susceptible to the downsides of a bilateral trade war, the South China Morning Post reports.

Shanghai free trade zone (FTZ) announces several "firsts"

Twelve companies signed agreements on November 19 to start business **in the Shanghai free trade zone (FTZ)**. **The deals include many firsts:** the first foreign performance brokerage firm, the first joint-venture aircraft manufacturer, the first foreign vocational psychological training institute, and the first foreign financial education institute. "We are glad to become the first foreign financial education institute on the Chinese mainland, thanks to the FTZ's opening-up policy," said Zhong Ke, General Manager of **IfFP Shanghai**, set up by the Zurich-based Institute for Financial Planning. IfFP Shanghai, which will be based in Jinqiao, will conduct training sessions for financial professionals and students.

Travelex, the world's largest currency exchange network that is based in London, also signed an agreement to set up its Asia headquarters in the FTZ. "As the world's leading international financial center, Pudong has favorable financial environment as well as full supporting facilities and policies," said Cameron Hume, Managing Director of Travelex Asia. Shanghai will be the center for its Asian operation, he said. Other companies to sign deals included **China-Russia Commercial Aircraft International Corp** — a joint venture between the Commercial Aircraft Corp of China and United Aircraft Corp of Russia, which is jointly developing the CR929 long-haul jet — as well as the Sweden-based **Elekta**, which will launch a new radiation therapy system featuring field magnetic resonance technology in China.

The Pudong New Area also launched a **"service specialist" scheme** that offers efficient and tailored services. A service specialist will be dispatched to serve a single company and help in resolving all kinds of difficulties, said Wang Hua, Deputy Director of Pudong. Four supportive teams made up of officials from various government bodies will assist the specialists in dealing with business development, planning and construction, policy consultation, and talent services, Wang said. The FTZ's opening-up measures helped to attract 340 service companies from January to October. The FTZ has attracted a total of 2,744 companies to set up offices. Wholly foreign-owned hospitals, certification bodies and vocational training institutes have been allowed in the FTZ along with the 38 newly opened business sectors to foreign investments. Nearly 300 regional headquarters of multinational corporations are based in Pudong, accounting for 45% of the city's total, the Shanghai Daily reports.

Tianjin in northern China is also stepping up its efforts to build a high-standard pilot free trade zone and apply for the establishment of a free port to further drive the joint development of the Beijing-Tianjin-Hebei region. The Chinese government also announced new policies to **lower the threshold for foreign investors in FTZs** in sectors that include construction, healthcare and financial services. They constitute 39 general policies for all 12 zones and 14 specific measures for certain zones, such as those in Zhejiang and Fujian provinces. Foreign carriers will be allowed to offer passenger and cargo services from Zhengzhou, Henan province, and Xian, Shaanxi province, both capitals of provinces with pilot FTZs, to other countries.

China has set up 12 FTZs over the past five years. The Chongqing Pilot Free Trade Zone will set up a special port for drugs and biological products imported for the first time. The total volume for imports and exports in China's pilot FTZs reached CNY2.6 trillion in 2017, or 9.35% of the country's total.

Boycott of Dolce & Gabbana by Chinese consumers following ad fiasco

Stefano Gabbana (left) and Domenico Dolce (right)

Products of Italian fashion house Dolce & Gabbana were taken out of shop shelves and e-commerce sites in China as consumers started boycotting the firm after it posted a short video deemed racially offensive. The controversy started as the Italian fashion brand published a video on the Chinese social media site Weibo showing a Chinese model using chopsticks to try to eat pizza, cannoli and spaghetti. Weibo users accused the label of trivializing China's culture and depicting Chinese women in a racist way. The video was taken down within 24 hours but it had already been shared widely on social media, where the hashtag #BoycottDolce began to circulate.

A search of D&G on Taobao.com and Tmall.com, China's largest online retailer, failed to come up with any results from the brand. The world's biggest online luxury goods retailer Yoox Net-a-Porter, and Hong Kong-based luxury department store operator Lane Crawford, have joined Chinese retailers in dropping Dolce & Gabbana products.

The accusations of racism and racial stereotyping intensified after a conversation on Instagram between Stefano Gabbana and the fashion writer Michaela Phuong in which Gabbana appeared to defend the campaign and make derogatory comments about China and Chinese commenters. Next, D&G claimed its internet accounts had been hacked and asserted: "We have nothing but respect for China and the people of China."

A planned catwalk show in Shanghai was canceled as one participant after another withdrew, including TFBoys singer Wang Junkai. The Communist Youth League posted on its Weibo account: "foreign companies operating in China should respect China and respect Chinese people".

But the mere cancelation of the fashion show did not satisfy Chinese consumers. The controversy could result in a financial blow to the company, which has shops in 25 cities in China. In 2007, the label was openly criticized for adverts which appeared to depict violence against women and romanticizing slavery.

"This incident is not a diplomatic issue essentially and the Chinese side does not wish to escalate it into one," Foreign Ministry Spokesman Geng Shuang said. "Instead of asking the Foreign Ministry Spokesperson, it is better to ask the ordinary people in China to see how they view this issue." The founders of the Italian fashion label **Dolce & Gabbana have issued an apology** to the Chinese people in a video released on November 23. "We offer our sincerest apologies to Chinese people worldwide," said Gabbana. Dolce continued: "We hope our misunderstanding of Chinese culture can be forgiven. We've always been very crazy about China, we've visited it a lot. We've been to many cities. We love your culture." The video ended with the pair saying the single word "sorry" in Mandarin. **"It's the kiss of death for Dolce & Gabbana," said Shaun Rein**, Founder and Managing Director of the China Market Research Group in Shanghai. Rein added it is a big mistake when Westerners come up with creative content but don't understand how it will be received by Chinese consumers.

CHINA NEWS ROUND-UP

Allianz Insurance becoming the first foreign-funded insurance holding company in China

China further opened its financial sector to foreign investors, with the banking and insurance regulator **giving two more foreign financial institutions market access**. The China Banking and Insurance Regulatory Commission (CBIRC) approved Munich-based **Allianz**'s application to begin setting up Allianz (China) Insurance Holding Co, which will become the first foreign-funded insurance holding company in China. The regulator also allowed **Chiyu Banking Corp**, a licensed bank in Hong Kong, to make preparations to set up a branch in Shenzhen, Guangdong province. Since the beginning of the year, the regulator has made a series of opening-up efforts, including granting preparatory approvals to Fubon Bank (China) Co's application to establish a branch in Chongqing, and allowing ICBC-AXA Life Assurance Co to establish an asset management company, and Korean Reinsurance Co to set up a branch in China.

With the country further expanding access to its financial market, foreign financial institutions will enter a period of accelerated business growth in China, said Zhang Xingrong, Managing Director of the Institute of International Finance at Bank of China (BOC). “By bringing greater competition to China’s financial sector, foreign financial institutions will help improve the efficiency and quality of financial services and make them more accessible to Chinese customers, while simultaneously reducing service costs,” he added.

The banking and insurance regulator has removed the 20% ceiling on ownership of a Chinese commercial bank or an asset management company by a single foreign investor, and the 25% cap on total foreign ownership of such companies. This month, the Chinese central bank announced it had approved a card clearing joint venture of American Express Co in China, the China Daily reports.

Expect discounts on new homes in China, says Longfor’s CEO

Home prices in China will continue to fall, as new projects in particular face slowing demand, according to Shao Mingxiao, CEO of Longfor Group. He added that life is becoming tougher for builders after a slew of government measures in recent months to take the heat out of the market. “We see that the purchase cycle, from visiting a project to sealing the deal, has become longer as buyers are getting cold feet. Doing property business will be more difficult,” said Shao. “We will consider adjusting prices at some new projects. But we will not lower prices of those we’ve already started selling as it would cause damaging results.” China has seen angry protests erupt previously when developers have cut their prices at a project when sales are already under way.

In October, buyers who had paid full price for flats at two projects in Shanghai and Jiangxi reacted furiously when Country Garden Holdings, China’s largest developer by sales, slashed prices by up to 30%. Scores of people who had paid the original price gathered to protest, brandishing placards and chanting “return my hard-earned money!”. Although the bull run of Chinese property prices in the past two years is over, government intervention will ensure home prices slide without completely collapsing, said Shao. “The government will establish a long-term control system to keep the prices moving in a reasonable range, neither dipping too much nor hiking too much,” he said. The government’s most recent move came on July 31, when officials said the country would remain firm on “containing home price gains”, removing the word “excessive” from the phrase used in its previous policy stance.

Sales of new homes, measured by area, fell 1.3% in October from a year earlier, a bigger contraction than the 0.8% seen in September, based on data released by the National Bureau of Statistics (NBS). The ailing market led to a U-turn in the strategy of many Chinese property developers, which had been rapidly expanding in response to the surging home prices over the past two years. Longfor’s contracted sales in October came to CNY15.04 billion, down 14% from CNY17.42 billion in September, which itself was flat compared to August, the South China Morning Post reports.

China hosts World Geospacial Information Congress

Geospatial information will play an important role in boosting the economy and improving people’s lives, delegates agreed at the **UN World Geospatial Information Congress held in Deqing, Zhejiang province**, from November 19 to 21. With the theme “The Geospatial Way to a Better World”, the congress was attended by more than 1,000 delegates from more than 100 countries and regions. Lu Hao, Minister of Natural Resources, read a message from Chinese Premier Li Keqiang and delivered a keynote speech at the opening ceremony. Premier Li said that geospatial information technologies have played a crucial role in combination with such emerging sectors as the mobile internet, big data and cloud computing. He said the Chinese government will continue to support collaborations with the rest of the world in the geospatial information sector.

The Deqing Geospatial Information Town was founded six years ago as a joint collaboration between the United Nations Statistics Division; the Chinese National Administration of Surveying, Mapping and Geo-information; and the Zhejiang provincial government. The town has now developed into one of the main hubs of China’s geo-information industry, with more than 200 companies engaged in the field. During the a summit for business leaders from the geospatial information and related industries, 63 projects were signed, ranging from geospatial information, satellite navigation, remote sensing and positioning services to artificial intelligence (AI), big data and the Internet of Things (IoT). A geo-information technologies and applications exhibition showcased the latest products and solutions from nearly 40 countries.

The geospatial information sector plays a role in autonomous driving technologies, with the adoption of sensors, said Zhang Zhiwu, General Manager of **Beijing SureStar Technology**, which focuses on **light detection and ranging (LiDAR) technology**. The company is one of the few manufacturers in the world which have a full range of navigation and survey LiDAR development capabilities. High-definition maps will be vital to location and navigation, the China Daily reports.

Chinese consumers to account for 45% of global luxury market by 2025

Chinese consumers will make up at least 45% of luxury market spending by 2025, up from an estimated 32% this year, according to the 17th edition of **Bain & Co**'s annual luxury study. Personal luxury goods sales continued their revival last year, growing by 6% globally at constant exchange rates to reach €260 billion. The positive trend is expected to continue with an estimated annual growth of 3-5% per year through 2025 to reach a market size of €320-365 billion, according to the Bain report, which was published in collaboration with **Fondazione Altagamma**, the Italian luxury goods manufacturers' industry foundation.

Over the past three years, Chinese spending on luxury goods on the Chinese mainland was twice as much as overseas spending. On China's mainland, luxury sales are estimated to grow 18% at current exchange rates to €23 billion this year, driven by a rising demand rather than by price increases. "Last year, we saw the global luxury market return to healthy growth, albeit at a more moderate pace than in the past," said Claudia D'Arpizio, Bain Partner and the lead author of the study. "That trend continued in 2018, reinforcing the 'new normal' we predicted, led by flourishing luxury demand from Chinese consumers, the continued rise of online channels, and increasing influence from younger generations of consumers."

The report says **online channels are likely to contribute to up to 25% of the total market size**, more than double from today's 10%, thus cannibalizing more "traditional" channels. Online luxury shopping continues to accelerate in 2018, with an estimated 22% growth amounting to €27 billion. The U.S. market made up close to half of online sales at 44%, but Asia is emerging as the new growth engine for luxury goods online, the Shanghai Daily reports.

List of top foreign companies in Shanghai published

A list of the top foreign companies in Shanghai for 2017 with imports and exports exceeding USD10 million and total profits exceeding USD1.44 million has been released. **SAIC Volkswagen Automotive Co ranked first** in both revenue and tax payment among foreign enterprises in Shanghai, while **Pegatron Technology** was the biggest employer and also top in total value of imports and exports, according to the city's Commission of Commerce and the Shanghai Association of Foreign Investment. A total of 1,348 foreign enterprises in Shanghai have posted an import and export value over USD10 million and profits exceeding USD1.4 million for the year 2017. The number was up by 11.4%, or 138 more than the previous year.

"Foreign-funded enterprises in Shanghai are developing steadily in general, and have played a significant role in the city's economic development in terms of import and export, total industrial output value, taxation and employment," said Liu Jinping, Director of the Shanghai Association of Foreign Investment. The higher figures compared with last year also indicate the improved investment environment in Shanghai, Liu said. By the end of October this year, Shanghai had attracted a total of 95,000 foreign-funded projects, amounting to USD237.6 billion in actual foreign investment.

In 2017, foreign-funded enterprises contributed more than a quarter of the city's gross domestic product (GDP), over one-third of total tax revenue, about two-thirds of imports and exports in foreign trade and also of industrial output, and around 50% of the research and development (R&D) investment of industrial enterprises. Ma Chunlei, Director of the city's Development and Reform Commission, said Shanghai will accelerate the promotion of innovation in the free trade zone (FTZ) as well as expanding it, speed up setting up the technology innovation board on the Shanghai bourse, and make efforts to further develop the integration of the Yangtze River Delta, the Shanghai Daily reports.

China leading the world in facial recognition

China is leading the world in facial recognition algorithms with its best algorithm able to recognize 10 million people without a single mistake **in less than a second**. The top five of the 39 facial recognition algorithms in the world come from China, according to the Face Recognition Vendor Test (FRVT) conducted by the National Institute of Standards and Technology (NIST) under the

U.S. Department of Commerce, which released the test results for 2018. **YITU Technology**, a Shanghai-based company that claimed both the top and second spot on the list, told the Global Times that its top algorithm can accurately recognize nearly every person in a sample base of 10 million. In comparison, "it is very likely for a human brain to make a mistake in recognizing the identities of 100 people," the company said. Algorithms from Beijing-based company **SenseTime** won the third and fourth spot, while the Chinese Academy of Sciences' **Shenzhen Institutes of Advanced Technology (SIAT)** came out fifth in the test.

YITU said that high facial recognition accuracy means that users gain better experiences when using related products. For example, when a user uses facial ID for payment on a smartphone, the device will not authorize the payment for someone else with a similar appearance as the user, the company noted. China is heading the Sharp Eyes project, which uses surveillance cameras, artificial intelligence (AI), facial recognition and big data to provide security. Police in Guiyang, Guizhou province, are already deploying a facial recognition system that can catch fugitives and suspects who have managed to hide their identities for years. Some 39 companies and institutes around the world participated in the FRVT, including Russia's NtechLab, Ever AI from the U.S. and Germany's Cognitec. The FRVT is considered to be the gold standard in the global facial recognition industry.

Dream of a home transformed China into the world's biggest home market

In the past decades, **China has been transformed from a country with almost no home ownership** – private property was still not protected by law – **into the world's biggest housing market**, with USD1.7 trillion of new home sales last year, seven times the total transactions in the U.S., according to Stansberry Churchouse Research.

One of the pioneers was Meng Xiaosu, who became President of China's first real estate firm – the China National Real Estate Development Group (CNRED) – and devised a plan to develop property in the country. In 1984, Deng Xiaoping had made a speech supporting private housing ownership. In 1987, Shenzhen's authorities sold the first land-use rights in China. A year after Shenzhen's pioneering move, a national law was enacted to officially define the concept of "economically affordable housing" and "commodity housing," or privately owned homes. In Shanghai, Guo Guangchang's Fosun Group built the company's first residential project, now known as Fosun Garden. Country Garden, also founded in 1992, would go on to become China's largest property seller today.

The real estate transformation made billionaires out of property developers, including Evergrande's Chairman Xu Jiayin at USD36 billion, Country Garden's Vice Chairman Yang Huiyan at USD21.6 billion, and Wanda Group's Chairman Wang Jianlin at USD20.2 billion. Residential housing construction became one of the main pillars of China's extraordinary growth over the past four decades, helping to create a thriving middle class. Once a very American dream, home ownership is now also a Chinese dream and has become the ultimate symbol of success in China.

But as prices have soared and investors have hoarded flats, many Chinese – especially young adults – now find themselves worrying that owning just one home may forever be beyond their reach. If the property bubble burst, China's economy could be in trouble. "That is the biggest potential risk as property is a major source of Chinese families' assets," said Gan Li, Professor at Southwestern University of Finance and Economics. "The poorer the family, the heavier their properties weigh in their wealth. If home prices collapse, the wealth of most Chinese will largely shrink and that will end up with a plunge in consumption."

Chinese citizens devote as much as 74% of their savings toward housing, more than double the 35% in the U.S. Today, 90% of Chinese families own a home, while about one out of four Chinese households own multiple homes, according to China's Southwestern University. Home prices have skyrocketed 325% in the past two decades. the South China Morning Post reports. Meanwhile, Chinese property buyers are spending less overseas – in Sydney, London and New York – as a tightening of capital control regulations in the past year has reduced the amount of money they can remit overseas.

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