China Business Weekly

13 December 2022

FCCC/EUCBA ACTIVITIES

Webinar: Belgian Customs and its activities in China – 15 December 2022 – 10 am

The Flanders-China Chamber of Commerce (FCCC) has the pleasure to invite you to a webinar focused on '**Belgian Customs and its activities in China**', which will take place online on **December 15** at **10 am CET**.

This event is free for Members and non-Members of the FCCC.

The programme is as follows:

10h00 - 10h05: Introduction, Ms. **Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

10h05 - 10h25: Procedures and regulations of the Chinese customs and other institutions related to import or export, Ms. **Isabelle Bedoyan**

10h25 – 10h45: Support given by FASFC to local companies when exporting to China, Ms. **Annabelle Schreiber**

10h45 - 11h00: Q&A Session

Practical information:

Date: 15.12.2022

Location: Online

Price members: Free

Price non members: Free

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Exclusive luncheon with His Excellency Mr Valdis Dombrovskis, Executive Vice-President and European Commissioner for Trade
19 December 2022 – 11h30 – 'De Warande', Brussels

The EU-China Business Association has the pleasure to invite you to an exclusive luncheon with Mr. **Valdis Dombrovskis**, Executive Vice-President and European Commissioner for Trade at the European Commission. The EU Commissioner will deliver an address on EU-China trade and investment relations.

This exclusive event is a unique opportunity to meet the European Commissioner for Trade and raise subjects you would like to discuss.

This luncheon will take place on Monday, **19 December 2022**, at **11h30** at **'De Warande', Zinnerstraat 1, 1000 Brussels**.

There are limited spaces for this luncheon. If you are interested in participating, please register via the button below before 5 December. The luncheon is certain to be well attended, so we strongly recommend you book now to guarantee your place.

The programme is as follows:

11h30 – 12h00: Registration & Networking Cocktails

12h10 – 12h15: Introduction by **Mr. Jochum Haakma**, Chairman, EU-China Business Association

12h15 – 12h30: Speech on EU-China trade relations by H.E. Mr. **Valdis Dombrovskis**, European Commissioner for Trade

12h30 – 12h40: Q&A Session

14h00: End of luncheon

If you have any specific questions you would like to ask the EU Commissioner, please send an e-mail to info@eucba.org.

In case of any food allergies or special dietary requirements, please inform us before 12 December.

The nearest parking options:

Place des Palais - Paleizenplein

Rue Ducale - Hertogstraat

Parking Loi-Wet which is at walking distance and usually the best option.

Practical information:

Date: 19.12.2022

Location: 'De Warande', Zinnerstraat 1, 1000 Brussels

Price members: €225 excl. 21% VAT (€47.25)

Price non members: €225 excl. 21% VAT (€47.25)

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PAST EVENTS

Webinar: "Get to know your partner in China" – December 1, 2022

The EU SME Centre, the EU-China Business Association and the Flanders-China Chamber of Commerce organized a webinar entitled **"Remote due diligence: Get to know your partner in China"** on **December 1**.

Ms. Gwenn Sonck, Executive Director, EU-China Business Association / Flanders-China Chamber of Commerce, welcomed the participants to the webinar. Mr. Alessio Petino, Business Advisor of the EU SME Centre and living in Beijing, will give his guidance on identifying potential partners, conducting due diligence, and choosing the right partner in China and how to best prepare yourself. For many of our companies the travel restrictions to China and the sudden lockdowns are one of the biggest difficulties. Other major challenges for European businesses in China are also the slower growth of the Chinese economy, the global economic slowdown and rising geopolitical tensions. But despite these difficulties, we need to persist. China remains an important market for our businesses and cannot be ignored. China's market offers long-term business opportunities. There is an enormous unmet potential for growth, also taking into account China's growing middle class. European companies also remain committed to China and continue to invest. They also believe there is more to gain than to loose from being in China. European companies have more localization strategies, building local supply chains and partnerships.

European investment in China increased slightly in 2021 to €8.6 billion euro compared to €8.5 billion in 2020. Most were greenfield investments. Investments already increased by 15% in the first half of this year, mainly coming from a few large European companies.

Mr. Davide Orlandi, EU Partnerships Coordinator, EU SME Centre, introduced the Centre, which is funded under the Single market Program managed by the European Commission and was set up in 2010. It is supporting European small and medium-sized companies, entrepreneurs, and start-ups entering or expanding their activities in or with China. The project is implemented by six partners and associated partners in Europe and in China. The Centre mainly offers: a self-diagnosis tool that measures readiness toward the Chinese market; comprehensive market reports, guidelines and case studies; practical and confidential advice; online training programs; and advocacy for EU SMEs.

Mr. Alessio Petino, Business Advisor, EU SME Centre, introduced the topic of the webinar "Getting to know your partners in China: tips on background checks and due diligence". Every week the EU SME Centre receives emails from SMEs that encounter **issues when dealing with Chinese partners. They can be divided into three categories**:

- When buying from China, the goods are of lower quality or defective.
- In a less common scenario the buyer doesn't receive the goods at all.
- When selling to Chinese companies, a frequent issue is late payments.

Many issues can be avoided by conducting basic checks and due diligence to identify common red flags of potential risks.

Examples of issues include:

- **Defect products:** a European SME purchased steel and metals from a Xiamen-based manufacturer and paid an advance payment of around €70,000. After receiving the goods it was found that the thickness of the plates was not the same as stipulated in the contract. A testing report by a European laboratory was not recognized by the Chinese seller. The European company requested a refund or a new batch of products but this request was ignored.

- **Goods missing:** purchase of three containers of steel and metals with advance payment of the full amount. Around seven tons of steel were missing from each container, corresponding to a difference of €25,000. The Chinese supplier offered to ship the missing steel if the EU company made a second order for new containers.
- **Genuine issue but no contract:** textile printing machines ordered from a known Chinese partner with advance payment of around 100%. The seller changed shipping company and the machines were never received and the shipping company did not provide a tracking number. The European company couldn't do anything because there was no contract.
- **Goods never shipped:** purchase of alloy steel with advance payment of €30,000. The Wuxi manufacturer kept using Covid restrictions for not shipping the goods. After two months, the Chinese supplier stopped responding to emails.
- **Scam on notary and RMB exchange fees when selling to China.** According to the purchase order, the seller had to pay 50% of notary and currency exchange fees to the buyer. After the fees were paid by the seller, the buyer disappeared.

What do these cases have in common? There are six red flags of potential scams, but no absolute rule.

- **The seller does not have a website, or no Chinese version, or no ICP filing.** If there is no company name in Chinese, you don't have any legal information. It could be anybody. In order to be legal in China, all websites need to have an ICP content filing.
- **The stamps or chops used in the contracts do not have legal value in China.** Legal Chinese chops are standardized in size, are round and have a big red star in the middle.
- **T/T payment in advance to Chinese seller.** A scammer wants to be paid before shipping the goods. Use other options, such as letters of credit. If you go ahead with an advance payment, limit the percentage. If something goes wrong the possibility of getting the money back is small.
- **Suspicious bank account provided by the Chinese seller**, such as that of an individual or another company.
- **The registered capital of the company of the Chinese seller is not paid yet.** This means the company probably has no assets. It is easy to check the registered capital of companies.
- **The seller is asking to cover notary or other additional fees.**

One or more of these red flags does not automatically mean that a company is not safe, but tells you to be cautious.

How to do background checks and do due diligence? Seven preventive actions:

- Ask the Chinese seller a copy of its business license, which includes all the legal information.
- Check if the information on the business license is correct by for example consulting the website of the National Enterprise Credit Information Publicity System or other government or credit platforms. You could also check if a company had any legal issues.
- Verify that the contact person is authorized to negotiate on behalf of the company, including his business card with full Chinese name. Make sure the contract has the proper Chinese chop affixed to it.
- Contact the EU SME Centre and your representations in China.
- Establish a solid contract in the original version, including clauses on payments, deliveries and quality inspection.
- Hire an auditor for on-the-ground inspection of the goods in China. If the Chinese company refuses, you should be very cautious.
- Hire a Chinese lawyer for in-depth due diligence in case of bigger transactions.

Mr. Petino mentioned that **the above is not legal advice** as the EU SME Centre's advisors are not lawyers.

Useful resources:

- Guidelines on how to minimize risks of scams when buying in China
- Guidelines on how to draft sales contracts when exporting to China
- Webinar recording: the ABC of commercial dispute resolution

A Q&A session concluded the webinar. **What to do if the company chop is invalid?** Mr. Petino: The risk is that Chinese courts might not recognize the contract. You might provide additional evidence such as email exchanges that proves the involvement of the company. Contracts need to be on paper, as electronic contracts are not recognized by the courts.

What to do about companies with the same name? Mr. Petino: There can only be one Chinese name and that is the only legal name. You cannot register a company under a name that is already registered. English names have no legal value.

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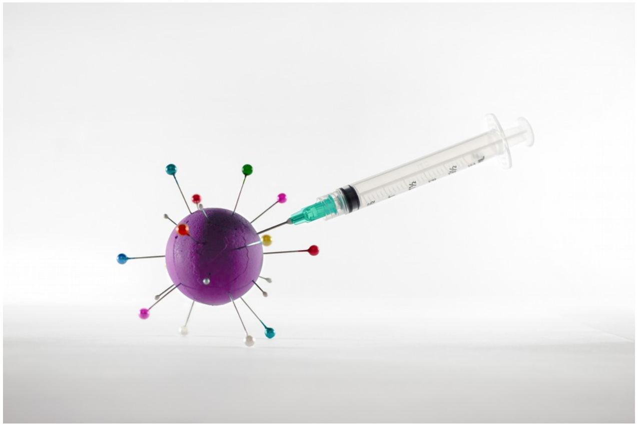
HEALTH

No PCR test needed for travel in China; infected persons quarantined at home; number of Covid cases rising rapidly



During the past week, the central government abolished most Covid control measures, although local authorities in several cities are still implementing more strict rules. **Passengers can now travel all over China without needing PCR tests** before departure or after arrival at their destination. Anecdotal evidence suggests the number of Covid cases is rising rapidly.

Official figures show a decrease of the number of positive Covid cases. However as PCR tests are no longer required to travel in China or to access most public places, the number of people testing frequently has decreased and with it the number of reported cases. Compound management and street committees also no longer require persons who tested positive to report their condition.

Experts said that the virulence and pathogenicity of the Omicron variant and its branches are significantly reduced compared with the original strain. Residents in Beijing no longer are required to present a negative nucleic acid test before entering supermarkets, office buildings, parks and other public venues, and they only need to scan their health codes. But a negative PCR test from within the past 48 hours is still needed to enter restaurants, bars and other enclosed entertainment venues. On the basis of the ninth edition of China's Covid-19 control protocols and newly released 20 measures, Chinese cities including Beijing, Shanghai, Guangzhou and Shenzhen have all abolished or optimized measures. China also approved 4 new Covid-19 vaccines for emergency use, as authorities consider to make available a second booster shot. The new vaccines include three recombinant protein-based vaccines, as well as a nasal spray influenza virus vector vaccine, developed by SinoCellTech, Clover Biophamaceuticals, Wantai BioPharm and WestVac Biopharms. The vaccine developed by Wantai is the first nasal spray vaccine in the world to be approved for clinical trials. There are 12 Covid-19 vaccines available in China, including five inactivated vaccines, four recombinant protein vaccines, one adenovirus shot, one recombinant inhalable vaccine, and one nasal spray influenza virus vector vaccine. The Chinese authorities are considering downgrading Covid-19 from the top class of infectious diseases, which would relieve local governments of the legal obligations to introduce strong controls such as lockdowns and isolating positive cases. The downgrade would allow Covid-19 be managed more flexibly and in a less disruptive way.

In Beijing and other cities, passengers can enter airports without having to present a negative PCR test, they only need to scan their health code when entering the terminal. Bookings of airline tickets have increased substantially on all platforms.

In some cities, residents suspecting they experience symptoms are advised to check themselves with rapid antigen test kits. If they have symptoms, including a high body temperature, they were advised to quarantine at home, use flu-relief medicine, and drink a lot of water. China has approved over 30 different makes of Covid-19 antigen test kits. People are also stocking up on medicine thought to be useful in curing Covid, such as the common cold medicine Lianhua Qingwen, the anti-inflammatory drug Ibuprofen and vitamin C tablets. Sales of antigen test kits also surged.

In response to a question about whether China will adjust epidemic measures for international arrivals, National Health Commission (NHC) Spokesperson Mi Feng said the latest optimization mainly targets domestic epidemic control work and **China will gradually optimize measures for international arrivals**.

British companies in China are calling for clarity on recently relaxed coronavirus restrictions to help reverse pessimism among businesses and clear up lingering uncertainties, the British Chamber of Commerce in China said. Uncertainty and unpredictability remain, both in regards to controls and transparency of the business environment, said Alexandra Hirst, Senior Policy Analyst at the Chamber. **"**Opening up feels like there's an end in sight, we are seeing a shift in strategy, she said. "But there are also still concerns in the short term about what this means and how this is going to impact operations such as the risk of staff now testing positive, and how implementation will be on a local level. **"**But the hope is that if certainty and clarity can be given about what it will look like, business operations will eventually be able to get back to normal."

Employing foreign staff is the biggest challenge for multinationals given the difficulty in entering China, according to the "British Business in China: Sentiment Survey", which was released last week. The report surveyed 292 British companies in the Chinese mainland. Only half of the companies reported being able to recruit enough talent this year, while 27% said they were satisfied with foreign staffing. Concerns over quarantine, volatile travel restrictions and the high costs to meet Chinese rules were weighing on business sentiment. The report said a record high of 42% of businesses are pessimistic about their prospects for next year, jumping from 9% in the previous survey.

According to an article in the China Daily, **nucleic acid testing companies have recently faced an unprecedented crisis of trust.** There is even a saying that "the Covid-19 pandemic will only stop when the nucleic acid testing stops", as it is widely believed that the testing companies are "the umbrella sellers who have the power to call for rain". Falsification of test results by a few testing companies is threatening to undo all the efforts to control the epidemic over three years. In response to the doubts of the public, it is necessary to conduct an in-depth analysis of the nucleic acid testing system, and strengthen supervision over the companies doing nucleic acid testing. As the demand for tests has increased in recent months, more testing has been carried out by private companies to alleviate the pressure on public health institutions. This has enabled some companies to take risks to falsify results in order to make a fat profit. But nucleic acid testing should be a non-market activity aimed at preventing the spread of the virus, the article states.

This overview is based on reports by the China Daily, Shanghai Daily, Global Times and South China Morning Post.

FOREIGN TRADE

EU goes ahead with cases against China at WTO

The European Union is to go ahead with two World Trade Organization (WTO) cases against China, after failing to resolve the issues during bilateral talks. The two cases will now be brought before a WTO dispute panel.

The first case is a dispute over alleged economic coercion of Lithuania, whose exporters found themselves excluded from the Chinese market late last year. "Our preference was to solve these two significant and systemic cases in a consultation process and we have invested a considerable amount of time in doing so. However, this was to no avail. We are therefore left with no choice but to request the establishment of these WTO panels," said Valdis Dombrovskis, EU Commissioner for Trade. The case centers on an alleged unofficial trade embargo following the opening of a controversially named Taiwanese Representative Office in Vilnius. The EU insists that the office is consistent with its own one China policy.

After the office opened in Vilnius, Lithuanian exporters complained that their goods were frozen out of the Chinese market. China has denied that there is a government-backed embargo, telling EU officials that its importers were simply patriotic and did not want to buy from a country that questioned China's sovereignty over Taiwan. According to Chinese customs statistics, imports from Lithuania dropped by 81.4% in the first 10 months of 2022, compared with a year earlier. The case was complicated by reluctance among businesses to give evidence on the record, a requirement for the WTO tribunal in Geneva, according to EU trade sources.

In the second dispute, the EU claims China is using domestic courts to undermine intellectual property laws, thereby allowing Huawei Technologies, Xiaomi and other telecoms firms to secure cut-price technology licenses. The second case revolves around decisions by Chinese courts, known as "anti-suit injunctions", preventing companies with hi-tech patents from "effectively protecting their technologies in non-Chinese courts, including EU courts", the EU said.

The EU said China is using new legal mechanisms to prevent international companies from suing Chinese counterparts in foreign courts for their use of technology without licenses or permission. Firms that have made complaints – including Sharp, Ericsson and Nokia – have been threatened with daily fines of €130,000 or criminal charges, meaning executives could be jailed in China for non-compliance, according to the EU. EU officials say Chinese firms such as Huawei, Xiaomi, ZTE and Oppo had taken advantage of these injunctions – which were ushered in by a Chinese supreme court ruling in August 2020 and subsequently approved by the National People's Congress (NPC) – to cut their licensing fees in half. The EU sees it as part of an overall Chinese strategy to transfer technology for 3G, 4G and 5G to China for a reduced fee, but also to set global rules governing intellectual property protection.

The WTO Dispute Settlement Body will discuss the EU's request at its next meeting on December 20. China can oppose the establishment of a panel once, but it would then be automatically formed after the next meeting of the body in January, the South China Morning Post reports.

In a separate case, **the WTO ruled that U.S. tariffs imposed on steel and aluminum imports by then U.S. President Donald Trump contravened global trading rules** and recommended the U.S. bring them into conformity. The U.S. said it strongly rejected the "flawed" interpretation and conclusions of the panel. It could appeal the ruling, which would send it into a legal void because Washington has blocked appointments to the WTO Appellate Body, rendering it incapable of giving a judgment. China said it hoped the United States would respect the panel's ruling and "correct its wrongful conduct as soon as possible". Trump imposed 25% tariffs on steel imports and 10% on aluminum in 2018, using Section 232 of a 1962 act that allows the President to restrict imports if they are threatening national security.

RETAIL

Chinese home appliance makers target Africa

Chinese home appliance makers are accelerating steps to expand their presence in the Middle East and Africa, and looking to enhance brand awareness and boost product sales by sponsoring or providing products and technologies for the ongoing FIFA World Cup in Qatar. Data from the China Chamber of Commerce for Import and Export of Machinery and Electronic Products' home appliances branch showed that China's exports of home appliances to Qatar rose more than 10% year-on-year in the first 10 months. Meanwhile, China's exports of color televisions to the 22 members of the League of Arab States, including Qatar, soared 29% in the January-October period from a year earlier, while the exports of white goods jumped 11.21%.

As one of the official sponsors of the FIFA World Cup in Qatar, Chinese home appliance manufacturer **Hisense Group is expanding its footprint in Middle Eastern and African markets.** "The Middle East is one of our fastest-growing regions globally and serves as a crucial part in Hisense's globalization strategy," said Ou Yang, general manager of Hisense's Middle East and Africa Division, while noting that the company's sales achieved a 31.5% year-on-year increase in 2021 in these regions despite the Covid-19 pandemic, price hikes in raw materials and soaring sea freight rates. Hisense opened its first physical store in Dubai, capital of the United Arab Emirates, in March, marking a strategic milestone in the company's regional expansion. It plans to open 10 brick-and-mortar stores in the Middle East and Africa this year.

The Qingdao, Shandong province-based company hopes to enhance brand awareness and influence by sponsoring major sporting events around the world, including the UEFA Euro 2016 and 2020 tournaments and the 2018 FIFA World Cup in Russia. Ou said Hisense will strengthen its cooperation with FIFA and other institutions, launch tailor-made products and build stronger emotional relationships with consumers in the Middle East and Africa, as well as accelerate the company's globalization process. Currently, the company has branches in Dubai and South Africa, with a sales network covering 1.48 billion people in 70 countries in the Middle East and Africa. It also aims to build its own after-sales service and call centers in major cities of these regions. Sales revenue of Hisense in these regions has risen from CNY1.53 billion in 2012 to CNY9.37 billion in 2021, with an average annual growth rate reaching 25.9%,.

"The Middle East and Africa serve as important markets in the Belt and Road Initiative, presenting huge growth potential for enterprises to build self-owned brands and develop cross-border e-commerce," said Zhou Nan, Secretary General of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products' home appliances branch.

Liang Zhenpeng, an independent consumer electronics analyst, said sponsoring international sporting events like the World Cup has become an effective way for Chinese home appliance companies to promote brands and boost sales of products in overseas markets. "In the past, most Chinese enterprises adopted the original equipment manufacturer model, but nowadays they tend to build up their own brands in a bid to bolster competitiveness on the global stage," Liang added.

Other Chinese home appliance makers, such as **Midea Group and Gree Electric Appliances**, have offered air conditioners and related services for the Qatar World Cup and stepped up investment in the Middle Eastern and African markets, which have shown soaring demand for high-efficiency heating, ventilation and air-conditioning systems. Midea has provided 2,500 air conditioners for 100 security check centers at the tournament venues and its central air conditioning systems have been installed at eight game venues, most of the media centers and some supplementary facilities. In 2010, Midea invested USD57.48 million to acquire a 32.5% stake in Egypt's major air conditioner supplier Miraco to become the company's second-largest shareholder. Many World Cup venues in Qatar, including the Education City Stadium and Stadium 974, and a fan village, are equipped with central air conditioning systems provided by Gree, with the total number exceeding 40,000 units.

In what appears to be an inevitable trend, Chinese home appliance manufacturers are expanding their footprint to overseas markets for new profit growth points and long-term development, as the domestic home appliance market is almost saturated, said Zhao Meimei, Assistant President of Beijing-based market consultancy AVC. Statistics from AVC showed that the sales revenue of China's home appliances sector reached CNY338.9 billion in the first half, down 9.3% year-on-year.

Haier Smart Home, a subsidiary of China's largest home appliance manufacturer Haier Group, entered the Middle Eastern and African markets in 1998. It has two industrial parks and three plants in African countries including Egypt and Nigeria. In August, the company announced its plan to establish an industrial complex covering 200,000 square meters in Cairo, Egypt, with a total investment of USD130 million. "Expansion into overseas markets will not only relieve the pressure of high inventories in the domestic market but will increase the international influence of Chinese home appliance companies," said Dong Min, Deputy Secretary General of the China Video Industry Association, as reported by the China Daily.

CHINA NEWS ROUND-UP

China's top leaders planning economic measures for next year

The Political Bureau of the Chinese Communist Party convened a meeting last week to prepare for the annual Central Economic Work Conference (CEWC), where the economic situation will be reviewed and measures discussed to guide the economy next year.

The meeting identified **stabilizing economic growth as one of China's top priorities for next year.** It urged the country to "strongly boost market confidence", "promote a high level of opening up to the outside world and make greater efforts to attract and utilize foreign investment". It also called for lifting market confidence, strengthening policy coordination and optimizing coronavirus prevention and control measures, as part of the economic assessment and policymaking for 2023. China will continue to play its role as a stabilizer of the world economy despite expectations of a challenging 2023. The meeting "made arrangements for improving Party conduct and moral integrity and combating corruption", the Xinhua News Agency reported.

Regarding the economic work for the year ahead, the meeting stressed the need to fully implement the guidelines of the 20th CPC National Congress and make solid progress in advancing Chinese modernization. The country will pay special attention to ensuring steady growth, employment and prices, forestall and defuse major risks effectively, and strive to achieve an overall improvement in the economic performance characterized by higher quality and reasonable growth. Proactive fiscal policy and prudent monetary policy will be continuously rolled out to pursue steady economic progress. Policies in various spheres will be better coordinated while epidemic responses will be optimized. The CPC Central Committee also held a symposium with non-CPC personages to solicit opinions and suggestions on this year's economic situation and economic work for the next year.

The Politburo meeting pointed to an overall rebound of macro-economic operations in 2023, realizing effective improvement in quality and a reasonable GDP growth rate, which indicates that one of the most important tasks next year is to fire up the economic engine under the new development pattern, Cao Heping, Economist at Peking University, told the Global Times. He anticipates that the digital economy, emerging industries as well as green and low-carbon development will empower economic and social development in the post-Covid-19 era. Industrial policies need to boost both development and security, while policies in the field of science and technology should focus on self-reliance and self-improvement, and social policies need to ensure people's livelihood. Efforts will also be made to further expand domestic demand and to give full play to the fundamental role of consumption and the key role of investment. The meeting also emphasized the need to strengthen the resilience of industrial chains and supply chains, boost opening-up at a high level, and make greater efforts to attract and utilize foreign investment.

UBS economists led by Wang Tao wrote that the upcoming CEWC in December may "emphasize more support for growth, reiterate scientific and precise Covid controls with more easing, further support the property sector, underpin employment and consumption, and enhance macro policy support," the Global Times reports.

Hainan officials seek investment in Germany

Hainan has sent officials to Germany, Japan and Hong Kong to seek trade orders and investment capital to prop up a sagging economy, the South China Morning Post has learned, as local governments in China rush to make similar moves. Hainan is sending officials led by

Deputy Provincial Governor Ni Qiang to Germany for a five-day trip. The team is set to sign a contract with Bielefeld University of Applied Sciences to establish a vocational school in Hainan, covering around 100,000 square meters in the first phase. It will also visit local companies. “We are trying to expand the market for trade, and to tell global society that China is still open to the world,” Han Shengjian, Director General of of the Hainan Provincial Bureau of International Economic Development, said in an interview. The province is planning trips to other regions such as the United States, Southeast Asia, and a few other nations in Europe soon to promote business opportunities.

The trips came as **a number of other provinces, including Zhejiang, Jiangsu, Guangdong and Sichuan, as well as cities including Ningbo and Jiaxing in Zhejiang have dispatched official delegations to European countries**, Japan and Indonesia. Almost all of these groups are **venturing beyond the Chinese mainland for the first time in three years** after the recent loosening of Covid-19 restrictions. The rush underscores the need to revive trade and foreign investment. China’s exports and imports recorded big declines in November, as the world’s second-largest economy is forecast to miss its annual growth goal of around 5.5%. Hainan is making an all-out effort to accelerate its development and meet Chinese President Xi Jinping’s goal of becoming the largest free-trade port in the nation, with all goods becoming duty-free by 2025.

Hainan also dispatched a separate team to Japan for a 15-day trip starting on November 27, even before the recent removal of Covid-19 restrictions. The representatives discussed deeper collaboration with local governments in Japan and with local companies including Toyota Industries, Mizuho Bank and skincare and cosmetics company Kao Corporation. The province aims to build a cluster area for eight to 10 Japanese companies on the island, including projects to make batteries and components for Toyota electric vehicles.

In Hong Kong, Hainan has signed contracts with a few companies as it enhances collaboration with the city that provides around 78% of the total offshore investments, helped by former Chief Executive CY Leung. Leung held a video meeting with the delegation in Hong Kong and stressed that the city will act as a super connector to further expand collaboration between the two jurisdictions. Hong Kong-headquartered Swire Group is planning to establish a center in Hainan for its Coca-Cola business, which will locate its regional management team and set up production lines for its non-soda beverage business in the province, serving local citizens and travelers. Swire has also signed a partnership with China Duty Free Group to build a high-end shopping mall in Hainan, the South China Morning Post has learned. Accounting firm PwC, meanwhile, launched a training institute in Hainan with a 1 billion yuan investment, which aims to train staff and provide education on environmental, social and corporate governance, and digitalization.

With these efforts, Hainan aims to see its duty-free sales revenue surpass CNY60 billion next year, up from this year’s around CNY50 billion, after around CNY60 billion in 2021, the South China Morning Post reports.

China to issue CNY750 billion special bond to spur economic growth

China will issue a 2022 special bond worth CNY750 billion on December 12 to boost the economy, as optimized Covid-19 measures send the world's second-largest economy on the fast track to a rebound. Observers said the rare issuance, which usually serves financing needs for specific major national projects during critical times, is a significant policy signal from the central government, It is expected the funds will lay the ground for a sound recovery and lift market expectations across China. The issuance aims to raise funds for the development of the national economy and social undertakings, read a statement on the website of China's Ministry of Finance (MOF). The notes are three-year fixed-rate interest-bearing bonds that will be issued to relevant domestic banks in the inter-bank bond market. They can also be publicly traded, MOF said. The bonds are to refinance notes coming due on December 12.

“The issuance comes at a very special time, with China's accelerating resumption of economic activities and the market needing more stimulus,” Dong Dengxin, Director of the Finance and Securities Institute of the Wuhan University of Science and Technology, told the Global Times. He noted that unlike regular government debt, **special treasury bonds are “special budget” that are not included in deficit calculations** but earmarked for specific major projects at “special times,” which are often closely related to solving major financial or reform issues. The first three issuances were in 1998, 2007, and 2020, with amounts of CNY270 billion, CNY1.55 trillion, and CNY1 trillion, respectively. The CNY1 trillion of notes in 2020 were launched early in the pandemic. Some CNY700 billion from that sale was given to local governments to support their anti-epidemic efforts and infrastructure investment, while the rest was brought into the central government's general public budget, according to a report by MOF.

In 1998, during the Asian financial crisis, all the CNY270 billion in funds raised by the special treasury bonds – the nation's biggest issuance at that time – were used to supplement the capital of its four major state-owned banks. The notes issued in 2007 were used to purchase about USD200 billion in foreign exchange to capitalize China Investment Co, the sovereign wealth fund. The issuance at this time will likely be assigned to all industries, including infrastructure, that could stimulate economic growth, and signals that **China** has indeed gone through the most difficult period and **is embarking on a fresh journey of recovery**, Dong said.

At the local level, fundraising is also accelerated. Local governments in China issued CNY439.9 billion in new special-purpose bonds in October, up from CNY24.1 billion in September and CNY51.6 billion in August. In the first 10 months of 2022, these issues totaled CNY3.98 trillion, which means the annual quota has been completed ahead of time, the Global Times reports.

Guangzhou textile base to be moved to Qingyuan

Textile and garment manufacturing businesses in an industrial base in Guangzhou, Guangdong province, will be moved northward to Guangdong's Qingyuan to enhance in-depth industrial cooperation between the two cities, according to local authorities. After more than 30 years development, the industrial base, near Sun Yat-sen University, has become one of the leading trade markets for textiles and garment accessories in the country, with an estimated annual trading volume exceeding CNY200 billion. However, a lack of reasonable industrial planning remained a big problem at the base, said Huang Fuwei, Deputy District Director of Haizhu in Guangzhou. The Kanglu area in Haizhu district, where the textile base is located, was also hit by the latest Covid-19 resurgences. Operations of textile businesses within the area have yet to resume, following the lifting of closed-off management measures against the pandemic across the city, according to the Textile Industrial Association of Sun Yat-sen University International Innovation Valley.

"The scale of textile and garment processing plants in the district is generally small, with development prospects being limited due to restrictions of urban space and other factors such as firefighting conditions," said Huang. He added that the Guangzhou base will develop into the headquarters for research and incubation in the near future, while **Qingyuan will be a major area for textile and garment processing and manufacturing**.

"We will jointly build a modern textile industrial cluster, which is expected to be a demonstration site for industries being transferred from the prosperous Pearl River Delta region to other areas," said Huang during a recent industrial promotion meeting held in Guangzhou. The first group of textile processing and manufacturing businesses will be encouraged to move to Qingyuan, after a series of preferential policies such as reducing and exempting fees for renting plants, providing dormitories and apartments free of charge, and offering subsidies for the purchase of equipment are announced. Such businesses will be moved to a modern technology center in Qingyuan, about a one-hour drive north of Guangzhou, with a planned construction area of more than 666 hectares.

Designed by the China Textile Planning Institute of Construction, the center, inside a special economic cooperation zone between the two cities, will be built into an industrial cluster dominated by textiles and clothing, with production of cosmetics, leather goods and bags and other textile products. "Textile processing and manufacturing businesses from Guangzhou will have advantages in terms of industrial space and costs when they are transferred to Qingyuan," said The operating costs in land use, transportation, water and electricity are only 60% to 70% of those in the prosperous Pearl River Delta region, Pan Haitao, Director of the Qingyuan Bureau of Commerce said, as reported by the China Daily.

Chinese EV maker BYD looking for production sites in Europe

Buoyed by sizzling sales in mainland China, **the world's largest electric vehicle (EV) manufacturer BYD is looking to crack open the European market with plans to build local factories on the continent.** "We will check the possibility of building local factories in Europe based on our business progress," the Shenzhen-based carmaker said, citing Executive Vice President Stella Li. The company, backed by Warren Buffett's Berkshire Hathaway, would not reveal further details about the timeline, location or capacity of any factories. BYD dethroned Tesla as the world's largest EV maker in the second quarter of this year and has been extending its lead over the U.S.-based carmaker ever since, spurred by soaring sales at home, the world's largest EV market. However, **building a name will be a challenge in Europe, where BYD is little known.**

"BYD has to convince drivers outside China that it is a world-class carmaker," said Eric Han, Senior Manager at Suolei, an advisory firm in Shanghai. "Without considerable sales volume abroad, it is not a strong international player." Founded by Chinese billionaire Wang Chuanfu in 1995 as a battery producer, BYD has been making vehicles since 2003. It mainly sells cars in mainland China, but is also looking to secure footholds in overseas markets in Asia, Europe, and South America. Under its "Made in China 2025" industrial strategy, **Beijing wants the country's top two EV makers to generate 10% of their total sales overseas by 2025**, although it did not specify the companies. Analysts said BYD would be a top Chinese candidate to turn itself into a global EV powerhouse. Berkshire paid USD232 million for 225 million BYD shares, equivalent to 20.5% of its Hong Kong-listed stock, during the global financial crisis of 2008, which it held onto until this year. On August 24, Berkshire sold 1.33 million shares at an average of HKD277.10 apiece, valuing the sale at HKD369 million, according to a regulatory filing to the Hong Kong stock exchange. Berkshire sold BYD shares several times later but remains a large shareholder, owning 15.99% of the company.

BYD outsold Tesla for the first time in the April to June period of this year, delivering 355,021 pure electric and plug-in hybrid cars, or about 40% more than its U.S.-based rival. It went on to sell 538,704 units between July and September, 56.7% more than Tesla's deliveries in the same period. Tesla does not make hybrid vehicles. In November, BYD set a new sales record for the ninth consecutive month, delivering 230,427 units, an increase of 5.8% over October's 217,816 units. Most BYD models are priced between CNY100,000 and CNY200,000. The company is now selling its cars in multiple overseas markets including India, Norway, Singapore and Brazil. BYD is also considering building a battery plant in the U.S. but does not currently plan on selling its electric cars there, the South China Morning Post reports.

First C919 passenger jet delivered to China Eastern Airlines

The first C919, China's first domestically developed narrow-body passenger jet, was delivered to China Eastern Airlines in Shanghai and is expected to be put into commercial operation next spring, a significant milestone in the development of China's aviation manufacturing industry. C919's manufacturer, Commercial Aircraft Corp of China (COMAC), delivered the aircraft sales certificate and the commemorative key to China Eastern at Shanghai Pudong International Airport, while the Civil Aviation Administration of China (CAAC) issued the airworthiness certificate to the carrier. The first C919 has 164 seats, including eight seats in business class and 156 seats in economy class. After the delivery, it took off from Pudong airport and landed at Shanghai Hongqiao International Airport amid the traditional welcome of a water salute.

Based on the initial approval of the CAAC, China Eastern also needs to carry out more than 100 hours of test flights to verify and confirm the operational safety, maintenance reliability and various operational capabilities of the aircraft, as the C919 is the first such model globally. China Eastern plans to put the C919 into commercial service on routes to Shanghai; Beijing; Xian; Kunming, and Guangzhou, Guangdong province. A total of 24 pilots will serve as the first group to operate the C919, the carrier said. Comparable to the Airbus A320 and the Boeing B737 series, the C919 is expected to break the duopoly of Boeing and Airbus.

So far, **COMAC has received 1,115 orders for the C919 from home and abroad.** Zhang Chi, Deputy General Manager of the Cabin Department of China Eastern, who took the very first flight, said the comfort and stability of the aircraft are excellent. Compared with other planes he has flown in, the C919 is above standard and there was little noise during the flight, the China Daily reports.

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