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法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

FCCC/EUCBA ACTIVITIES

Webinar: "How to mitigate currency risk when trading with China" September 29, 2021 at 15:00 CET

The Flanders-China Chamber of Commerce (FCCC) and Ebury are organizing – with the support of Flanders Investment and Trade – a webinar on **How to mitigate currency risk when trading with China** on **September 29** at **15:00 CET**.

Key takeaways of this session will include:

- Chinese yuan/CNH/CNY/Renminbi: What's in a name?
- Practical tips on how to tackle currency risk when trading with China
- Demystify the issues around getting money out of China

With China's rapid rise, its currency also took a more prominent place in the China-West cross-border trade. The increasing volatility of the Chinese yuan has significantly impacted companies trading with China. The Flanders China Chamber of Commerce (FCCC) and Ebury are organizing this webinar to inform you on these developments. Furthermore, Kwimex Trading Company NV will provide a testimonial on how to improve your margins and supplier relationships by using CNY.

Agenda:

15:00 - 15:15: Introduction – presented by Gwenn Sonck (Executive Director, FCCC) & Kris Mercelis (Country Manager Belgium, Ebury)

15:15 - 15:45: Trading with China: how to mitigate currency risk – presented by Isabel Ye (Director of China Initiatives, Ebury)

15:45 - 16:00: Company testimonial: Kwimex Trading Company NV

16:00 - 16:10: Q&A

Practical information:

Date and time: September 29, 2021, 15:00-16:00

Location: Online

Price: Free

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PAST EVENTS

Webinar: Informal Members' Meeting with the FCCC's New Chairman September 2, 2021

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment and Trade, organized an exclusive meeting with the FCCC's New Chairman, Mr. Kurt Vandeputte, during which he introduced himself and shared his China experiences. The webinar took place on **September 2**, 2021. The webinar was a members' only event.

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce, welcomed the participants to the meeting with the new FCCC Chairman, Mr Kurt Vandeputte, who is also Senior Vice President Government Affairs at Umicore. He took over the post of FCCC Chairman from Mr Stefaan Vanhooren on May 12. The aim of the session was to get to know the Chairman in an informal way. He introduced his experiences with China and also Umicore's activities in China, and shared his view on the role of the FCCC. The Chamber has invested in a new membership platform through which you can see the other Members attending the webinar, improving networking.

Mr. Kurt Vandeputte said he was pleased and proud to be appointed Chairman of the FCCC. In May the FCCC replaced a few people in the Board of Directors. Stefaan Vanhooren (AGFA), Bart de Smet (AGEAS) and Philippe Van der Donckt (Umicore) decided to end their mandate and were replaced by Luc Delagaye (AGFA), Filip Coremans (AGEAS) and Kurt Vandeputte (Umicore).

Mr Kurt Vandeputte is a Belgian national born in 1969, holding a PhD in chemistry from Ghent University. When he was 17 years old, he had to choose between two career paths: either become a pilot or pursuing a career in chemistry.It was the latter. Studying chemistry was all about curiosity: learning how nature works, and in order to do that you need to know chemistry. He was Assistant at Ghent University for six years and started working for a company at that time called Union Minière. By now, Mr Vandeputte **has 24 years seniority at Umicore**, having worked in quality assurance and control; marketing and sales; strategy and IP; innovation and business incubation; and general management, progressing on the career ladder. **Until the middle of 2019 he headed the Battery Materials Division, in which he was extensively exposed to and involved with China.** Mr Vandeputte also took up several governance and leadership roles as a board member of Agoria and the Kompetenz Network Li-Ionen Batteries (KLIB) in Germany and as Vice Chairman of the Board of the public-private partnership BATT4EU set up by industry and the European Commission to co-manage €925 million of

funding that the European Commission has earmarked for the next six years in battery research. The Commission wants to re-industrialize Europe in terms of battery production.

Mr Vandeputte's first exposure to China was in the lab in Ghent as one of his colleagues was a Chinese PhD student. His involvement really started in 1999 with a collaboration with one of the first Umicore sites in China, called Blue Lotus – the title of a Tintin comic book. A minority joint venture had been set up with a Chinese state-owned company in Shanghai. In 2003 he started the first commercial business with China. It was a very typical Chinese experience. In China the battery business was emerging five or ten years after Japan and Korea, and Mr Vandeputte negotiated a supply agreement for Belgian products sold in China. **If the quality and the price are right, things can go very fast in China.** He said he had a very positive experience to start and had many travel experiences he will never forget. Buying and selling is a bit easier than dealing with a business partner, which started in about 2007 with a new JV majority-owned by Umicore with a state-of-the art production plant. The partnership is positive and developing well. The golden rule in case there is tension is to be there in person, to talk and to understand the reason for the frustration. Of course, in Covid-times that personal relationship is challenging and needs careful monitoring.

In the period 2009 to 2019, China has been integrated as part of the global strategy for the battery materials business of Umicore and has become important as a market and as a production location. Umicore's strategy is to produce where the market is. The Chinese operations play an important role in the company's global business. Mr Vandeputte has been Chairman of a fast growing JV entity. A trusting relationship with your equity partner is an absolute necessity.

What are Mr Vandeputte's ambitions for the FCCC? As Chairman of an association you need to take care of the house. We have a stable and healthy organization in structure, finances and vision, which has already been built up by the previous leadership under the former Chairman Mr. Vanhooren. Mr Vandeputte also explicitly thanked Ms Gwenn Sonck for her contributions to the Chamber. Being a member does not entail a big expense as you can get a lot of help, service and support thanks to our structural financing partners, not in the least Flanders Investment & Trade. So the FCCC will continue as in the last couple of years. It is not necessary to change for the sake of change. But if there are opportunities or things that can be improved you should be agile. If members feel something is over covered, under covered or not covered at all, members are free to inform the FCCC leadership in order to serve the members in the best possible way. As a Chamber of Commerce you need to create neural networks, to connect people, to factually inform, to facilitate and catalyze, and finally to cross-fertilize. We have members from the industrial side, but also from the more academic side and we hope to integrate them more.

The aim of the Chamber is to be the first point of contact if you have questions on China-Flanders business. Chambers of Commerce usually have two countries or regions in their name, in our case China and Flanders, which means we should be an advocate of bilateral investment and trade. The flow should not only be in one direction. You should be motivated to seek a market in China, the market may be there before you realize it. Moreover, it is not only about doing business but also how to invest there or attract Chinese companies to invest in Flanders. Today the political tone is not the most motivating for global trade, but on a business level the world has become one, there is no product that you can make and market in only one region. Business has become more challenging and less predictable, but it will go on. The ambition of the FCCC is also to capitalize on the EU-China Business Association for which the FCCC is organizing many events. For FCCC it is a fantastic opportunity to be in the center of Europe and have high-level contacts with the European and Chinese sides.

Q&A: What are the main changes that Umicore adopted in its China strategy taking into account that we still cannot travel to China for a while? Mr Vandeputte: We did not really change our strategy due to Covid-19. There are two key areas where China is the core of our strategy: automotive catalysts and battery materials. For automotive catalysts, Umicore has a production plant in Suzhou. China is a huge market for the sales of new cars, and the whole management is local so the impact of Covid was limited. The JV for battery materials is also run by a local team, so there is not much impact from the travel restrictions. Of course use video conferencing much more than before.

What are the main success factors for your company in China and what are your main tips? Mr Vandeputte: The main success factor is to come with a broader service that gives your Chinese partner a distinct advantage for example in costs. In China you need to show your partner that there is something in it for him that he can use. To be very fast is also crucial.

What are the main challenges besides the fact that we cannot go to China? Mr Vandeputte: In my opinion, the two main challenges are that the political and regulatory environments are uncertain, which may make you hesitant to invest; and secondly in terms on innovation power and technology level, China has become very competitive. Years ago you could more easily bring technical added value to China than today. Many successful business models will include the integration at least partly of Chinese innovation power. You need to accept the rules of the game, which are different from those in de U.S. or Europe on certain points, but not integrating China in our strategy is not an option.

HEALTH

Chinese Center for Disease Control suggests first Covid-19 outbreak in Wuhan could be due to imported frozen food

Officials and experts from t**he Chinese Center for Disease Control and Prevention (China CDC) suggested** that the World Health Organization (WHO) should **investigate** the countries where the virus had been found on samples of **cold-chain products** and the cold-chain workers involved in shipping products to Wuhan in 2019. The CDC said that it is possible that the early outbreak in Wuhan's Huanan seafood market at the end of 2019 was sparked by cold-chain imports between September and December 2019. Several sporadic outbreaks in China last year were found to be related to imported cold-chain products from other parts of the world, including Europe and the American continent. In many of these places, signs of the coronavirus were discovered earlier than in Wuhan. **Did the early outbreak in Wuhan originate from imported frozen food, the Global Times asks.** "After China contained the early outbreak in April 2020, sporadic outbreaks occurred in Beijing and Dalian. We confirmed that the virus was imported from other countries or regions through cold-chain transportation," Ma Huilai, an official from the China CDC told the Global Times. The outbreak in Qingdao, Shandong province, in October further proved the hypothesis as it was the first time that the coronavirus had been isolated from the outer packaging of cold-chain food products. "The coronavirus can be carried over long distances on cold-chain products and it is possible that the outbreak in Wuhan's Huanan seafood market in December 2019 was sparked by cold-chain imports," Ma added.

Liang Wannian, team leader of the Chinese side of the WHO-China joint expert team, also told the Global Times that the study on cold-chain transmission should be carried out globally. "A retrospective study should be conducted on international logistic companies and frozen food suppliers for the Huanan seafood market in 2019, including nucleic acid testing of stock samples and serum testing of workers involved. The study should also examine the role of the cold chain in the spread of viruses," Liang said. China also wants to set up a mechanism to track the international movements of cold-chain products so that the origin of a virus infection might be traced. It also wants more laboratory research to determine how the coronavirus can be carried by cold-chain products or packaging over long distances and trigger new local outbreaks. 390 of 678 stores in the Huanan seafood market had sold 29 types of cold-chain products from 20 countries and regions. Cold chain products from 37 countries or regions arrived in Wuhan from September to December 2019. The virus was likely brought into the market from countries that reported animal virus strains highly similar to human infections, experts said.

People who had close contact with **a new asymptomatic carrier**, as well as those in places near the carrier's home and workplace, have all tested negative after the case was **identified in Guangzhou**, Guangdong province. A total of 127,478 tests turned out negative. The asymptomatic carrier delivered meals and cleaned rooms at the Tokai Hotel, a quarantine site in Yuexiu district. It is thought that she was infected while collecting trash from the room of a person in quarantine, one of 103 in the hotel. Lin Keqing, Executive Vice Governor of Guangdong, Zhang Shuofu, Party Secretary of Guangzhou, and Wen Guohui, Mayor of Guangzhou, held a meeting to discuss the epidemic situation and ordered checks of all quarantine hotels in the city.

Chinese vaccine producers showed their most advanced products, including updated vaccines that can resist coronavirus mutations, and promising Covid-19 drugs, at the 2021 China International Fair for Trade in Services (CIFTIS) in Beijing. China National Biotec Group (CNBG), a subsidiary of Sinopharm, presented four Covid-19 vaccines at the fair, including two inactivated vaccines, one recombinant protein vaccine and one mRNA vaccine. The two inactivated vaccines are the updated version of those being used around the world and proven effective against mutations. Visitors who are not vaccinated against Covid-19 were not allowed to attend the fair. This overview is based on reports by the China Daily, Global Times, Shanghai Daily and South China Morning Post.

STOCK MARKETS

Third stock exchange to be set up in Beijing

A stock exchange will be set up in Beijing and the capital city will become a major base for innovative small and medium-sized enterprises (SMEs), Chinese President Xi Jinping announced. The move will improve the multi-level structure of China's capital market, making it more dynamic and resilient, and will play a significant role in the country's push for innovation-driven high-quality growth, analysts noted. Addressing the 2021 China International Fair for Trade in Services (CIFTIS) via video, Xi said that China will continue to support the innovation-driven development of SMEs by setting up a Beijing Stock Exchange as the primary platform serving innovation-oriented SMEs. China will also deepen the reform of the National Equities Exchange and Quotations (NEEQ), known as the "New Third Board".

The role of the Beijing Stock Exchange is to serve innovative SMEs. Stock exchanges in Beijing, Shanghai and Shenzhen will be complementary and interconnect with one another. "Actually, there have been some discussions in the market about setting up a new stock exchange in China's northern or central areas, since the two other exchanges concentrate on the economically developed Yangtze River Delta and Pearl River Delta, and Beijing was one of the potential candidates," Dong Dengxin, Director of the Finance and Securities Institute of Wuhan University, told the Global Times. Innovation-oriented SMEs have lacked a platform like the sci-tech innovation board of the Shanghai Stock Exchange or the NASDAQ-style ChiNext board of the Shenzhen Stock Exchange, as these two have higher entry thresholds in terms of both scale and requirements for high technology, said Dong. More efforts are needed to accelerate innovation among SMEs, Dong noted. The New Third Board was launched in early 2013 to supplement the Shanghai and Shenzhen stock exchanges to serve SMEs, the Global Times reports.

The NEEQ Select, the highest tier of the National Equities Exchange and Quotations system, will be upgraded into the Beijing stock exchange, retain its basic rules and pilot the registration-based public offering system, the China Securities Regulatory Commission (CSRC) said. **The new market may begin trading as early as the end of the year with an initial 66 firms**, market insiders said. The average operating income of the 66 firms stood at CNY390 million, up 34.6% year-on-year, while their net profits rose 37.3% to average CNY45.26 million, according to their first-half financial disclosure. Nearly half of the NEEQ Select firms recorded an increase of over 30% in income.

The New Third Board is composed of three tiers – basic, innovation and selection. The selection tier was introduced to the New Third Board in October 2019 as part of efforts to refashion the over-the-counter market where thin trading volume and poor market liquidity appeared to have damped the appeal of the market. The firms having traded on the innovation tier for a year can be upgraded to the selection tier. As of September 2, a total of 7,304 firms with a market capitalization of CNY2 trillion were listed on the New Third Board, with 5,988 traded on the basic tier and 1,250 on the innovation tier. By comparison, more than 4,000 firms were traded on the A-share market with a total market value of CNY86.2 trillion as of the first half of the year.

Zhou Guihua, Director of the Public Company Department of the CSRC, said the Beijing Stock Exchange (BSE) will be tailor-made for serving innovative SMEs at an earlier development stage than those listed in Shanghai and Shenzhen. Different rules and arrangements will be made to ensure that the three stock exchanges complement each other with different focuses. Listed companies on the BSE which have matured will be allowed to transfer their listing to Shenzhen and Shanghai for further development, Zhou said. The BSE will use the registration-based public offering system, and its listing requirements will remain the same as those of the NEEQ Select.

All of the companies now traded on the NEEQ Select will go public on the new exchange. Additional companies to be listed will come from qualified firms traded on NEEQ Innovation, the NEEQ's second-highest tier, the CSRC said. On September 5, the NEEQ posted three documents on its official website detailing the BSE's listing, trading and management regulations. For example, companies that seek listings on the Beijing Securities Exchange have to meet one of four conditions in their financial performance, including an anticipated market value of at least CNY1.5 billion and research investment of at least CNY50 million in the past two years.

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

MACRO-ECONOMY

President Xi Jinping strengthens enforcement of anti-monopoly and fair competition policies

Chinese President Xi Jinping has ordered **strengthening of anti-monopoly efforts and further enforcement of fair competition policies** to help the growth of smaller companies and better protect consumer rights. Speaking at a meeting of the Central Committee for Deepening Overall Reform, Xi emphasized the importance of creating a market environment of fair competition as China promotes a new development paradigm, high-quality development and common prosperity. Policymakers reviewed and adopted four policy documents at the meeting, including one to step up antitrust efforts, a guideline about pollution, and one for strengthening the nation's reserves for strategic and emergency response. In enhancing the nation's antitrust efforts, the meeting called for parallel efforts in supervising, standardizing the behavior of, and promoting the growth of businesses, with measures to make clear the rules as well as what is and is not permitted. Businesses will be encouraged to be proactive in spurring scientific and technological progress, enabling the blossoming of the market economy, making people's lives easier and competing globally, policymakers said. They pledged to improve market access and fair competition, and prevent administrative measures to limit competition. China will promote high-level opening up, protect property rights and intellectual property rights and increase the transparency and the predictability of policies, they said. The meeting also agreed to improve oversight and supervision.

The meeting called for accelerating the fight against pollution, including water and soil pollution. A ban on importing waste will be more strictly enforced. Stricter approval standards will be set for projects that consume a lot of energy or are highly polluting. Actions that damage the ecology and environment will be subject to resolute punishment and violators will face high penalties. The meeting also underlined the need to amplify the role of the nation's strategic reserves in stabilizing the market and increase the reserves of bulk commodities, the Global Times reports.

China's e-commerce law is also being revised to strengthen the crackdown on intellectual property rights (IPR) infringement by online vendors. Well-regulated, rather than runaway growth is expected to ensure more sustainable development of China's e-commerce market, the world's largest. Fraudulent non-infringement statements shown by merchants on e-commerce platforms, if resulting in relatively big losses, shall be subject to double compensation, according to the revision. E-commerce platform operators that fail to act against IPR infringement by sellers on their platforms could face fines of up to CNY2 million. The worst offenders could have their network operating licenses revoked. The State Administration for Market Regulation (SAMR) is seeking comments on the draft revision till October 14. China's online retail sales of physical goods grew by 14.8% year-on-year to CNY9.8 trillion in 2020, making up 24.9% of the country's total retail sales. China is the world's top market for online retail sales for the eighth year in a row. Its e-commerce law came into force on January 1, 2019.

The SAMR in April imposed a record USD2.8 billion antitrust fine on e-commerce firm Alibaba, while later that month, an anti-monopoly investigation was also launched into food delivery firm Meituan. Meituan's acquisition of bike-sharing platform Mobike without declaring the deal to regulators in advance, is also under scrutiny. Since last year, Chinese internet heavyweights, including Alibaba Group Holding, Tencent, JD and Suning.com, have been investigated, fined or face fines for alleged monopolistic behavior. Han Wenxiu, an official with the Central Committee for Financial and Economic Affairs, emphasized at a recent news conference that it was clear that recent regulations on platform-based companies are aimed at those who violate laws and regulations, rather than any private enterprise or foreign capital. The country's antitrust measures treat all market entities equally, whether they are state-owned, private, foreign-funded or mixed-ownership enterprises, Han said.

CHINA NEWS ROUND-UP

2021 China International Fair for Trade in Services (CIFTIS) held in Beijing

The 2021 China International Fair for Trade in Services (CIFTIS) was held in Beijing between September 2 and 7. Chinese President Xi Jinping delivered a keynote speech via video link at the Global Trade in Services Summit which was held on the first day of the Fair. The CIFTIS was for the first time held in two venues: the Shougang Industrial Park – one of the competition venues for the Beijing 2022 Winter Olympics – and the China National Convention Center. The exhibition area of the 2021 CIFTIS has increased by 20,000 square meters from last year's event, and the number of companies exhibiting on-site jumped by 6%, Vice Mayor of Beijing Yang Jinbai said at a recent press conference. Moreover, more than 10,000 companies from 153 countries and regions registered for online and on-site exhibitions with more of the world's top 500 firms and overseas institutions attending this year's trade fair.

China pledged bigger and bolder efforts to open up its market for the services trade and expand the country's role as a global services hub with the announcement that a new stock exchange would be set up in Beijing and more digital trade pilot zones would be established. “We will open up at a higher level, by implementing across the country a negative list for cross-border services trade and by exploring the development of national demonstration zones for the innovative development of trade in services,” Chinese President Xi Jinping said in an address to the Global Trade in Services Summit. “We will create more possibilities for cooperation by scaling up support for the growth of the services sector in Belt and Road partner countries and by sharing China's technological achievements with the rest of the world,” Xi added. “We will continue to support the innovation-driven development of small- and medium-sized enterprises (SMEs), by deepening the reform of the New Third Board and setting up the Beijing Stock Exchange (BSE) as the primary platform serving innovation-oriented SMEs," Xi announced.

In the first half of the year, the value added of China's services sector reached CNY 29.6 trillion, accounting for 55.7% of total GDP, up from 54.5% a year earlier. In the first seven months of the year, China's services exports rose 23.2% to CNY1.34 trillion, while services imports dropped 4% to CNY1.47 trillion, MOFCOM data showed. The impressive growth in exports resulted in a plunge of 70% in China's services trade deficit to CNY134.75 billion. The country's knowledge-intensive services exports, in particular, amounted to CNY704.47 billion in the January-July period, up 15.4% year-on-year, making up 52.7% of total services exports.

China has shortened the negative lists for foreign investment for four years running and unveiled its first negative list for the cross-border services trade in the Hainan Free Trade Port. The official signing of the Regional Comprehensive Economic Partnership (RCEP) also means the addition of 22 new services sub-sectors to China's commitment to opening up 100 services sub-sectors under the WTO classification.

Chinese semiconductor producers report 3,500% revenue increase

Chinese semiconductor producers reported revenue growth of up to 35 times year-on-year in the first half amid robust sales to the computer and vehicle sectors, as well as more long-term demand in fast-growing industries like 5G and artificial intelligence (AI). Industry analysts said that the huge market potential in the coming years will give domestic chipmakers an opportunity to gradually replace overseas chip foundries in supplying domestic manufacturers like Huawei. More than 60 semiconductor companies listed on the A-share market disclosed their first-half results, and more than half said that net income doubled year-on-year. Shanghai-based Bright Power Semiconductor, a leading maker of LED driver integrated circuits, reported revenue of CNY1.07 billion, up 177% year-on-year, with net income soaring by nearly 35 times to CNY336 million.

Many companies made milestone breakthroughs in sectors including semiconductor equipment and materials, including **photoresist – an important semiconductor material that is applied in wafer production**. Shanghai-based electronic materials manufacturer Red Avenue New Materials said in its interim earnings report that its new photoresist products won orders from leading chip companies like Wuhan-based Yangtze Memory Technologies Co. The photoresist business of its subsidiary surged 46.74% to CNY56.48 million. The sales boom mainly reflected disrupted chip supplies globally at a time when there is mounting demand for electronic devices and cars as people resume working in the wake of the Covid-19 outbreak, Fu Liang, a veteran industry analyst, told the Global Times. Fu said that chip supplies are still tight, especially for high-end semiconductors.

Taiwan-based TSMC told clients that it intends to increase prices for advanced 7 and 5-nanometer chips by around 7% to 9%, while raising them about 20% for its more mature ones, likely to be the steepest single price increase for TSMC. Chip prices are likely to rise further in the third and fourth quarters, Zhao Haijun, Co-chief Executive of Semiconductor Manufacturing International Corp (SMIC), said at a quarterly earnings meeting on August 6. Supply shortages will continue until at least the first half of 2022, he said, pointing to the pandemic and international uncertainty. Thanks to the transition from 4G to 5G, the popularity of fast-charging devices and electric vehicles, as well as smart home appliances, demand for semiconductors will boom in the long term, Fu said, noting that “this will be a good opportunity for local chipmakers to move from the edges of the sector to the center,” the Global Times reports.

Global collaboration in 5G is inevitable as countries quicken the rollout of superfast wireless technologies, officials and experts said at the World 5G Convention last week. Li Meng, Vice Minister of Science and Technology, said the world is seeing a new upsurge in research and development activities in advanced 5G technologies. In China, 5G has become a key part of “new infrastructure”, and is being increasingly used in transportation, logistics,

energy, medical and other fields to advance digital transformation. As of mid-July, China had built 916,000 5G base stations, accounting for 70% of the world's total. The number of 5G connections has exceeded 365 million, accounting for 80% of the world's total, according to the Ministry of Industry and Information Technology (MIIT), the China Daily adds.

Tech company Xiaomi launches electric vehicle division

Chinese tech company Xiaomi has registered its electric vehicle (EV) business with a registered capital of CNY10 billion. Xiaomi's EV division, with about 300 employees, has entered a "substantial development phase", the Beijing-based company said. In late August, Xiaomi said it had acquired autonomous driving firm Deepmotion for around USD77.37 million to enhance the technological competitiveness of its EV business. Xiaomi announced its foray into the electric car business in late March when several tech giants like Baidu and Huawei were already looking at the vehicle industry as the next big-ticket sector, hoping that in the future cars will become increasingly autonomous and connected. Lei Jun, CEO of Xiaomi and CEO of its new smart electric car unit, said earlier that the company's cash reserves totaled CNY108 billion by the end of 2020, which allows the company to afford the risks involved in the car business.

Xiaomi said its EV team has done a massive amount of user research in the last five months, and also visited industry partners while defining its EV products and setting up its EV team. Xiaomi currently has 16,000 engineers, and its research and development spending hit CNY10 billion last year. The company said it has sufficient confidence in its talents and has technological advantages in artificial intelligence, new materials and other fields to support its automotive business. Roy Lu, Director of the Gasgoo Auto Research Institute, said Lei considers automobiles to be part of Xiaomi's AI-enabled Internet of Things (IoT) ecosystem, and has invested in Chinese electric car startups Nio and Xpeng Motors via Shunwei Capital, a venture capital firm. But Lu also warned that the change in Lei's role from an investor to a competitor will push Nio and Xpeng Motors to prepare for the impact of Xiaomi's entry into cars on their business. Experts also said it remains to be seen whether Xiaomi can really afford the capital and time needed for the cash-intensive smart car business, given that many Chinese companies that had entered the segment faced severe financial difficulties, with some even going bankrupt.

Matthew Kanterman and Nathan Naidu, Analysts at Bloomberg Intelligence, said Xiaomi's entry into China's EV market opens a big new growth area for the company beyond smartphones and other consumer electronics. In the second quarter of this year, Xiaomi posted record revenue of CNY87.8 billion, up 64% year-on-year, beating analysts' expectations. Xiaomi was the world's No 2 smartphone maker by shipments from April to June, selling 52.8 million units, a year-on-year growth of 83%, according to market research company Canalys, the China Daily reports.

16th EU-China Business and Technology Cooperation Fair to be held in Chengdu

The 16th EU-China Business and Technology Cooperation Fair will be held in Chengdu, Sichuan province, from September 17 to 19 and is co-hosted by the China Chamber of International Commerce and the European Union Chamber of Commerce in China. As one of the main activities of the 18th Western China International Fair, the EU-China Fair will build a platform for participants from China and Europe to exchange ideas and conduct business activities. Entrepreneurs, government officials and experts will gather in the Chengdu-based Business and Innovation Center of China-Europe Cooperation this month to share their views with 500 attendees on commercial topics related to China and the EU. This will include the digital economy, energy transition and urban green development, investment and legal services, geographical indication, vocational education, and other areas.

Zhao Ping, Deputy Dean of the Beijing-based Academy of the China Council for the Promotion of International Trade (CCPIT), said the fair will help boost imports from European countries, advance trade and economic cooperation between China and Europe, and serve the needs of China's expanding consumption market. China replaced the United States as the EU's largest trade partner in the third quarter last year, reflecting the resilience and potential of bilateral economic and trade ties, according to China's Ministry of Commerce (MOFCOM).

Number of China-Europe trains up 32%

Trade between China and Europe remained robust in the first eight months of this year despite the Covid-19 pandemic and growing tensions, as **the number of China-Europe cargo train trips exceeded 10,000 at the end of August** – two months earlier than last year. This showed the efficiency of this new transport mode and the massive shared trade interests by the two sides, but the EU's increasingly hostile actions against China pose further risks to bilateral ties, Chinese analysts noted. As of the end of August, **China-Europe trains had made 10,030 journeys, up 32% year-on-year**, according to a statement by the China State Railway Group Co (China Railway). During those trips, 964,000 TEU of containers were transported, up 40% on a yearly basis. More than 1,000 trips have been made every month since May 2020.

Liu Ying, Research Fellow at the Chongyang Institute for Financial Studies at Renmin University of China in Beijing, emphasized that the China-Europe trains have become crucial life-saving routes during the pandemic, not just for Europe but the world at large. China-Europe trains have carried 12.8 million items and 99,000 tons of epidemic prevention materials to European countries since the outbreak of the epidemic. "A growing number of containers that were formerly delivered by sea are now being diverted to the freight trains due to global shipping disruption, causing occasional congestion on the trains and making it hard to book space," Xu Yuanyuan, Manager of Shaanxi Further Strategy Supply Chain Management Co, told the Global Times.

Cui Hongjian, Director of the Department of European Studies at the China Institute of International Studies, pointed out that China and Europe rely heavily on each other in trade, especially in traditional areas, despite the current tension, which can be seen in the highly efficient movements of the China-Europe trains. So far, t**he cargo trains have reached more than 170 cities in 23 European countries** and transporting more than 50,000 types of goods, providing transport support for the economic and social development of regions and countries under the Belt and Road Initiative (BRI). This year marks the 10th anniversary of the departure of the first China-Europe freight train, which traveled from Chongqing to Duisburg, Germany.

However, the EU's increasingly hostile approach toward China may pose further risks to bilateral cooperation, analysts said. The European Parliament passed a motion to freeze discussions on the EU-China Comprehensive Agreement on Investment (CAI) in May after its sanctions against China prompted counter sanctions. China-EU ties took a further hit as Lithuania and China recalled their ambassadors after Lithuania upgraded the status of Taiwan's office. Asked about a proposed bill in the EU that will result in the exclusion of Chinese companies from procurement contracts, China's Ministry of Commerce Spokesperson Shu Jueting urged the EU to uphold fair and open market principles, and to avoid protectionism and discrimination.

China's investment in Europe declined 45% to €6.5 billion, according to a report by the Rhodium Group in June. From January to July 2021, total trade between China and the EU reached USD457.42 billion, up 33.9% year-on-year, according to the General Administration of Customs, the Global Times reports.

China Post Group to expand its cross-border services

China Post Group Corp, the country's largest postal service provider with nearly 1 million employees, **will expand its cross-border services** from transporting packages on passenger aircraft and cargo flights **to railway and shipping** during the country's 14th Five Year Plan (2021-25) period. Following changes in global supply chains, which have been disrupted by the Covid-19 pandemic, and the classification of international delivery products by value and priorities, freight train services will become a key part of supporting China Post's international business in the coming years, said Zheng Shuangyin, Deputy General Manager of the International Business Department of China Post's Parcel, Express and Logistics Business Unit. China Post this year has launched new train routes linking Chinese cities such as Wuhan in Hubei province, Guangzhou in Guangdong province, Chengdu in Sichuan province, Xi'an in Shaanxi province and Urumqi in Xinjiang with many European cities, he said.

The target customers of the freight train service are mainly concentrated in the mid-to-high-end manufacturing sector that has seen high demand for stable supply chains, and are becoming diversified over time, the Beijing-based group said. Because of the pandemic, major airlines around the world have either suspended or reduced flights. China Post organized 22 block train services from Chongqing, Yiwu, Zhengzhou in Henan province and Dongguan in Guangdong province, and shipped about 16,000 metric tons of mail, industrial goods and daily necessities to 36 European destinations through Poland and other countries in 2020.

With the growth of the Belt and Road Initiative, the routes and frequency of the China-Europe freight train service have continued to increase, Zheng said, adding the average running time of the trains is 13 days, which is more than 20 days faster than ocean freight, and the price is only one-fifth that of airfreight. The cost, time limits and service level of the China-Europe freight train service have showed strong market competitiveness and popularity. Jiang Yanzhao, Chair of Rail Contact Committee of the Universal Postal Union, said China's efforts to improve international railway shipping rules and standards, together with the World Customs Organization, relevant international railway organizations and countries, will ensure the world's supply chain and provide a better platform for export oriented companies to have another convenient option to ship their goods.

Backed by more than 30 cargo flights and 170 trains, China Post's profit soared 12.5% year-on-year to CNY60.64 billion in 2020. The company's first half profit was the highest in the past five years. Apart from adding air and rail cargo postal services, China Post also reached agreements with postal authorities in Japan, New Zealand and Israel in the first quarter to conduct maritime postal delivery services by partnering with China COSCO Shipping Corp, another central SOE and the nation's largest shipping company, since the second quarter of last year, the China Daily reports.

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