

# China Business Weekly

28 September 2021



## 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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**Webinar: The PRC Personal Information Protection Law (“PIPL”) – What does this mean for your business in China? – 6 October 2021, 10h00**

The poster features a portrait of Carl Li, a man in a suit with his arms crossed. To the right of the portrait, the text reads: 'WEBINAR', 'The PRC Personal Information Protection Law (“PIPL”)', 'What does this mean for your business in China?', '6 October 2021', and '10h00'. Logos for 'FCCC VCKK' and 'ALLBRIGHT LAW OFFICES' are also present.

The Flanders-China Chamber of Commerce (FCCC) is organizing – with the support of Flanders Investment & Trade – a legal webinar focused on **the new PRC Personal Information Protection Law (PIPL)**. **Mr. Carl Li, Senior Partner at AllBright Law Offices**, will discuss the impact of the new law on businesses operating in and with China. This webinar will take place on **October 6, 2021, at 10h00**.

The PRC Personal Information Protection Law (PIPL), which will be effective from November 1, 2021, is the most important law in China regarding the protection of personal information and will impact almost every company in China. Together with the PRC Cybersecurity Law and the PRC Data Security Law, this law constitutes China's legal framework for data protection in much the same way as the GDPR, although there are some key differences. The PIPL sets out rules for the processing of personal information, cross-border transfer, individual rights, obligations of processors, responsibilities of authorities, and legal liabilities. Every company will need to put in place compliance measures either before or within a very limited time frame after the PIPL becomes law, in order to ensure that they are not at risk of non-compliance.

**Program:**

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

**10h05-10h50:** Presentation on the PRC Personal Information Protection Law by Mr. Carl Li, Senior Partner, AllBright Law Offices

**10h50-11h00:** Q&A Session

**Practical information:**

**Date and time:** October 6, 2021, 10h00-11h00 CEST

**Location:** Online

**Price for members:** Free

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## China Dinner: Insights into setting up Volvo and Polestar factories in China 6 October 2021 – 18h30 - Ghent

### INVITATION

# China Dinner – Insights into setting up Volvo and Polestar factories in China

## 6 October 2021 – 18h30 – Ghent



**MR KOEN SONCK**  
Head of Quality & New Model Launch Director, Polestar Manufacturing Chengdu and Chongqing





FLANDERS-CHINA CHAMBER OF COMMERCE  
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

After a long period of virtual events, our chamber is once again pleased to be able to put on some live events at which we can all once again meet one another in person. The first of these events is **an informal dinner which will take place on 6 October at 18h30** at Cercle Royal La Concorde, Kouter 150 in Ghent.

We are very lucky to have as our guest speaker at that dinner Mr Koen Sonck, who will be over from China for a few weeks. He will talk about his experience of setting up a Volvo factory in Chengdu, where he is now based, and a Polestar factory in Chongqing.

He will have much of interest to say and so you are strongly encouraged to sign up to join us at the dinner. There are limited seats, so we can have a small group to enable people to share their experiences and to network.

If you are interested to participate, please register before 1<sup>st</sup> of October via the button below.

#### Program:

**18h30:** Registration and networking

**19h00:** Welcome by **Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

**19h05:** Dinner & Presentation: “Insights into setting up a Volvo and Polestar factory in China” by **Mr Koen Sonck**, Head of Quality & New Model Launch Director, Polestar Manufacturing, Chengdu and Chongqing.

#### Practical information:

**Date & time:** October 6, 2021, 18h30

**Location:** Cercle Royal La Concorde, Kouter 150, 9000 Ghent, Parking: Kouter

**Price for members:** €75 + 21% VAT

**Price for Non-Members:** €95 + 21% VAT

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## Webinar: European Business in China Position Paper 2021/2022 October 12, 10:00 am CEST



The EU-China Business Association, the European Union Chamber of Commerce in China, and BusinessEurope are organizing a webinar on the occasion of the launch of the 'European Business in China: Position Paper 2021/2022'. This webinar will take place online on **October 12, 2021 at 10:00 am CEST**.

This Position Paper is a culmination of six months of dedicated work by 35 working groups and sub-working groups. This year's Paper looks into the 14<sup>th</sup> Five-Year Plan and identifies the areas of risk and opportunity, both for European business and China's economy.

### **Program:**

**10:00-10:05:** Welcome and introduction by Ms. Gwenn Sonck, Executive Director, EU-China Business Association & Flanders-China Chamber of Commerce

**10:05-10:35:** Presentation of the Position Paper 2021/2022 by Mr. Joerg Wuttke, President of the European Union Chamber of Commerce in China

**10:35-10:55:** Q&A and final discussion moderated by Ms. Luisa Santos, Deputy Director General of BusinessEurope

**10:55-11:00:** Closing words by Mr. Jochum Haakma, Chairman, EU-China Business Association

### **About the speaker: Mr. Joerg Wuttke**

Joerg Wuttke is Vice-President and Chief Representative of BASF China in Beijing since 1997. In May 2019, he was elected for a third term as the President of the European Union Chamber of Commerce in China.

Since 2019, Wuttke is Vice Chairman of the CPCIF International Cooperation Committee, a group representing multinational companies in China's Chemical Association. From 2011 to 2019, he served as Chairman of the Business and Industry Advisory Committee to the OECD's China Task Force. From 2007 to 2010, and from 2014 to 2017, Wuttke was President of the European Union Chamber of Commerce in China. He was a founding member of the German Chamber of Commerce in Beijing and served as Chairman of the Board from 2001 to 2004. Wuttke has lived in China for more than 20 years.

### **Practical information:**

**Date & time:** October 12, 10 am CEST

**Location:** Online

**Price:** Free

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## ACTIVITIES SUPPORTED BY FCCC

**Book Presentation: “Hoe de grootmachten de koers van de wereldpolitiek bepalen” by Prof. Sven Biscop – 12 October 2021, 19:30 – 21:30 – UGent, Campus UFO, Ghent**



### Description

**Professor Sven Biscop** will give a presentation on his new book (in Dutch) “**How the superpowers determine the course of world politics**”. He will provide insights in how the course of world politics is determined by the interplay between the superpowers. The U.S. as the established power, Russia as the waning power, China as the emerging power and the EU as the doubting power, the power which does not know if it wants to be a power.

This presentation will provide – on an academic level – a nuanced analysis of the competition and cooperation between the superpowers using 10 key words, illustrated by historical and hyper actual examples.

### Programme:

19:30: Presentation followed by networking & drink

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## Flanders Investment & Trade's participation in the China High Tech Fair 11 to 17 November 2021 – Shenzhen

Flanders Investment & Trade (FIT) will participate in the **China High Tech Fair Shenzhen** with a limited reception booth and a Product Sample Booth (PSB).

### Why participate?

The China High Tech Fair (CHTF) is the largest and most influential science and technology fair in China. Known as the “No 1 Technology Show in China”, the Fair every year has almost 3,000 participants from more than 50 countries and more than 500,000 visitors. Flanders Investment & Trade will participate for the first time this year. Next to HUB, Flanders Investment & Trade/Guangzhou office will have an info booth/PSB in the Belgian pavilion.

FIT Guangzhou will contact Chinese buyers and introduce and present the products to them. Interested buyers will be directly referred to your company.

### Our offer

FIT will be present with a product sample booth (PSB) and a reception booth.

### Product sample booth:

- A PSB is an alternative for a classic fair participation. It is an open space you share with other companies, so you can present your brochures, products and samples at a favorable price.
- Traveling to China is not possible in the current circumstances. To participate in this PSB you will need to send a local representative.
- You pay €500 (SME) or €1,000 (non-SME) as contribution to the organization costs.

### Reception booth:

- FIT is providing a central reception point free of charge that can be used as an independent meeting point and as info/catalogue booth.
- You don't need to travel yourself, FIT Guangzhou is happy to represent you.
- We take care of your interests based on the promotion material (catalogues, posters, etc.) we receive.
- Feedback will be provided afterwards.

Registration before or on September 30 at the latest.

The Fair and FIT's participation is subject to the evolution of the Covid-19 situation.

More information and registration is available (in Dutch) [here](#).

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## Conference “China Healthcare Summit” – 16 to 19 November 2021 – Shanghai and online

On 16-19 November 2021 Biocentury and Bayhelix are organizing **the 8<sup>th</sup> edition of the China Healthcare Summit**. The annual China Healthcare Summit welcomes industry leaders, emerging companies, and financial and academic players in the care sector from China and other countries. It is a good opportunity for Flemish healthcare companies to get to know the most important healthcare trends in China and to open doors to the Chinese and Asiatic healthcare market.

This year the summit is being held in hybrid form, live in Shanghai and online. There will be panel discussions on several topics and several roadshow presentations. You will also get access to the 1x1 b2b platform and two exclusive reports on the biotech and medtech ecosystems by McKinsey & Co.

Flanders Investment & Trade this year also supports the participation of Flemish companies, following the previous successful editions during which several Flemish companies established cooperation with Chinese partners.

Flanders Investment and Trade is offering two support options. More info and the possibility to subscribe is available [here](#).

Registration is possible till September 24.

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## HEALTH

### Harbin battles small Covid-19 outbreak



**Harbin, capital of Heilongjiang province, reported more than 40 Covid-19 cases and three cases have also surfaced in Suihua city.** After the first case was reported, Harbin authorities urged residents not to leave the city unless necessary, closed public venues, suspended large-scale activities and rolled out nucleic acid testing. Last week, Chinese health authorities were tracking people who have visited Harbin, while its 10 million residents were tested. The entire province is in a state of emergency, said Communist Party Secretary of Heilongjiang Zhang

Qingwei. People who visited Harbin recently and traveled to other parts of China are also being tested. Harbin's Bayan county suspended all public transportation and sealed off some of its some communities. Each family is allowed to have one person go out to purchase daily necessities every two days. But residents living in communities close to areas with positive cases will have to stay indoors all day, and their daily necessities will be delivered to their homes. The source of the infections remains unknown but two of the first three Covid-19 patients had returned from the Philippines. Their tests were all negative during their quarantine periods, but they had positive results when they were tested as close contacts of the first cases. According to the outbreak model of epidemiologist Huang Senzhong of Nankai University, the outbreak is likely to end by the end of October, with the total infections remaining between 50 to 250. In the worst case scenario, the outbreak could reach 600 cases.

**The city of Shanwei in Guangdong province took the lead in giving Covid-19 booster shots to key groups of people** aged between 18 and 59 who have been fully inoculated with inactivated vaccines for six months, and more cities are about to follow later this month. The key groups refer to handlers of cold-chain products at ports, customs officers and public transportation staffers, medical staff and students preparing to study abroad, public

security officers, community workers and firefighters, and other front-line workers. Cities in Henan and Zhejiang also announced plans to give key groups a booster shot if they completed their inoculation more than six months ago. Booster shots for the general public will only be rolled out after collecting a large amount of data to evaluate whether it is necessary, according to one expert. A third shot of a Covid-19 vaccine could boost waning protection over time, and prioritizing people at high risk is essential for China to reduce the risk of the virus spreading from overseas. At least 10 rounds of flare-ups in China this year could be traced to imported sources, including the recent one in Putian in Fujian province.

**The world's first aerosolized inhalable adenovirus type-5 vector-based Covid-19 vaccine (Ad5-nCoV) is on track to obtain emergency-use approval.** The increase in IgG antibodies after inhaling Ad5-nCoV as a booster could be seven to eight times that of an inactivated vaccine used as a booster, vaccine developer CanSinoBIO said. The vaccine was jointly developed by CanSinoBIO and researchers from the Institute of Military Medicine under the Academy of Military Sciences. Further clinical trials are ongoing. The inhaled vaccine requires only one-fifth of the dosage of an injected one, freeing up doses for more vaccinations.

**Chinese biotechnology company Clover Biopharmaceuticals** said that a large trial shows its **two-dose Covid-19 vaccine** is 79% effective against the fast-spreading Delta variant, 92% effective against the Gamma variant, and 59% against the Mu variant. The vaccine's overall efficacy rate against all strains in the study was 67%. It was also 100% effective in preventing severe cases and hospitalizations, and nearly 84% effective in preventing

moderate to severe cases. The vaccine is the "first Covid-19 vaccine to demonstrate significantly reduced risk of Covid-19 disease in previously infected individuals, a growing and increasingly important population as SARS-CoV-2 continues to spread globally", a company statement said. The vaccine uses protein fragments of the virus to trigger immune responses, and requires the use of an adjuvant to achieve the desired protection. Clover Biopharmaceuticals, based in Chengdu, Sichuan province, said its adjuvant is supplied by the U.S. company Dynavax. More than 30,000 adults in the Philippines, Brazil, Colombia, South Africa and Belgium were enrolled in mid- and late-stage clinical trials.

**The number of trips during this year's Mid-Autumn Festival holiday (September 19-21) recovered to 87.2% of the pre-epidemic level in 2019,** as over 88.15 million trips were made, according to the Ministry of Culture and Tourism.

**The coronavirus may have been silently spreading in the U.S. as early as September 2019,** according to a preprint paper by researchers from the University of Science and Technology of China and the University of the Chinese Academy of Sciences, which was published on ChinaXiv, a preprint platform developed by the Chinese Academy of Sciences (CAS). The paper selected 12 representative regions in the U.S. for analysis and found that the date of the first infection was mostly between August and October 2019, which is earlier than the official date of the first confirmed case in the U.S. on January 20, 2020 and also earlier than the outbreak in Wuhan in December 2019.

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

## IT & TELECOM

### Internet conference calls for supporting SMEs



**The 2021 World Internet Conference has been held at the water town of Wuzhen in Zhejiang province,** calling for renewed support for small and medium-sized enterprises (SMEs). Following a quiet edition of the conference in 2020, this year the host venue was full of visitors, music and activities. In a virtual speech at the opening ceremony of the conference, Chinese Vice Premier Liu He urged countries around the world to

safeguard the infrastructure, protect fair competition and boost innovations. "China has experience and capability to manage and control risks. Its development prospects are very bright," Liu said, reaffirming the country's support for the sound development of the private economy, and the online and digital economy. Themed on "Towards a New Era of Digital Civilization – Building a Community with a Shared Future in Cyberspace", the three-day conference runs until September 28.

Wu Hequan, Academician at the Chinese Academy of Engineering, refuted claims in the Western media that China was cracking down on internet firms. **It is "a misinterpretation" that the Chinese government is restricting the development of the internet industry,** as if the regulations have deeply impacted the economy, social security and people's livelihood, which is not true, Wu claimed. "We hope internet giants can continue to grow bigger and stronger, and at the same time, drive the development of small and medium-sized enterprises," he noted. Only when SMEs have vitality, the online platforms could have vitality and so does the economy, Alibaba Group CEO Daniel Zhang said. Lei Jun, CEO of Chinese

smartphone maker Xiaomi, also called on Big Tech to provide “all-process support and help to SMEs.” Over the past year, the Chinese government has moved toward reining in Big Tech to prevent internet titans from abusing their excessive influence on markets, Cheng Maiyue, Director of the Wuzhen Institute told the Global Times, arguing against claims that the country’s regulatory toughening is going too far. Oversight of giant platforms such as Alibaba, Tencent and ByteDance is in essence an effort to harness the greed of capital to serve the public interest, he said. Improved regulation will promote competition and continued innovation, he added. Dixon Dai, Founder and Chairman of Wetrade Group, an exhibitor at the conference, told the Global Times that prospective innovation from internet companies must be relevant to the livelihoods of ordinary people, for instance, to the silver or aged economy. “Currently, the elderly Chinese have not gained tangible benefit from China’s digital revolution,” he added.

According to a blue paper published at the conference, **the CNY39.2 trillion digital economy has become a key driver to ensure the steady growth of the Chinese**

**economy.** It is estimated that by 2025, China’s information service market will surpass CNY20 trillion, said Yang Jie, Chairman of China Mobile at the conference. **One thing that sets this year’s meeting apart from previous ones is the focus on cybersecurity,** with a number of sub-forums related to this topic. One example is Ant Group’s GeaGraph system, which can be used to fight money laundering and cyber fraud. Cristiano Amon, President and CEO of Qualcomm, hailed China’s ongoing efforts toward bringing 5G into major industries and improving consumers’ lives. “We are already working with Chinese companies across many industries, helping them achieve their goals in China and around the world,” he added. Elon Musk, CEO of Tesla, said, “China spends a lot of resources and efforts applying the latest digital technologies in different industries including the automobile industry, making China a global leader in digitalization. Tesla will continue to expand our investment and R&D efforts in China.”

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

## IPR PROTECTION

### China issues IPR protection plan for 2021-35



**China issued a plan for 2021-2035 to strengthen protection of intellectual property rights (IPRs)** by accelerating legislation on IPRs in new fields and forms of business, such as big data, artificial intelligence (AI), algorithms and genetic technology. Analysts said that the blueprint will improve the innovative environment for enterprises and further improve the legal system for emerging industries in China. Innovation is the primary driving force for development, and the role of IPRs as a strategic resource for national development and a core element of international competitiveness is becoming more prominent, according to the plan. “The emerging information technology industries are technology-intensive and intelligence-intensive, the development of which, including basic algorithms and application scenarios, requires a lot of intellectual property (IP) support. Only

when IPRs are effectively protected can innovation be encouraged, and the scientific research and production capacity of enterprises be improved,” Wang Peng, Assistant Professor at the Gaoling School of Artificial Intelligence at the Renmin University of China, told the Global Times. **By 2025, the added value of patent-intensive industries is expected to be equivalent to 13% of China’s GDP,** and that of the copyright industry for 7.5%. The annual trade volume of IPR royalties will reach CNY350 billion. By 2035, the comprehensive competitiveness of IPRs shall rank among the top in the world, per the 15-year plan. The country will also formulate and revise laws and regulations on strengthening the protection of business secrets, improve the legal system for regulating the abuse of IPRs, and improve legislation covering monopoly practices and unfair competition related to IPRs.

Zhao Zhanling, Legal Counsel at the Beijing-based Internet Society of China, told the Global Times that the blueprint sends a signal that China will further step up a crackdown on monopolistic and unfair competition practices that abuse IP protection, such as companies’ exclusive control over music streaming licenses. In August, Tencent music announced that its exclusive licensing deals with labels would end as of August 23, as China’s market regulator moved to prevent leading internet players from abusing their dominant market position. In 2015, the National Development and Reform Commission (NDRC), China’s top economic planner, fined chipmaker Qualcomm CNY6 billion, one of the largest anti-monopoly penalties. The U.S. chipmaker had been found to abuse its dominant market position by charging excessive fees for technology, the Global Times reports.

**The number of high-value invention patents is expected to reach 12 per 10,000 people by 2025. By 2035, China's IPR competitiveness will rank among the top in the world,** with a completed IPR system, prosperous growth in IPR-driven innovation and a better social environment for an IPR culture, the China Daily adds. To reach the goals, the plan sets out several key requirements and tasks. These include building an IPR protection system that supports a world-class business environment, establishing an IPR market operation

mechanism that encourages innovation, building a public IPR service system that is convenient and beneficial to people, and stepping up participation in global IPR governance.

According to a report released by the World Intellectual Property Organization (WIPO), China ranks 12<sup>th</sup> in the Global Innovation Index of 2021, up two places compared with 2020. The report showed that China's ranking has risen annually since 2013, with strong upward momentum.

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## CHINA NEWS ROUND-UP

### Police detain Chairman and CEO of HNA Group, parent of Hainan Airlines

**Police have detained Chen Feng, Founder and Chairman, and Tan Xiangdong, CEO, of HNA Group, one of China's largest private conglomerates and parent company of Hainan Airlines.** They have been detained in Hainan province, suspected of involvement in non-specified crimes. "The HNA Group and its member companies are operating stably and orderly. The group's bankruptcy restructuring is going smoothly and its production and operation have not been affected," HNA Group said in a statement. Creditors of the group applied to the court for bankruptcy and restructuring early this year after HNA failed to pay due debts. Under HNA's restructuring plan, the group will be divided into four parts, with each unit operating independently in aviation, airport, financial and commercial services.

Gu Gang, Communist Party Secretary of the group and head of the working committee responsible for its restructuring, said in a letter to all HNA employees that the "group has driven to the final section of a dark tunnel and is about to move back on track soon. Everyone must stick to their posts, spare no effort and strive together for the final battle of the restructuring," Gu said in the letter after the detention of the group's two top executives. "Some people have lost their original aspiration and assumed they could get through crises repeatedly," Gu said. He noted "ambition and desire" sent the group into the abyss, shattered the hopes of more than 100,000 families and causing hundreds of billions yuan in losses to the country. The group has not specified what crimes the two executives have committed. The group is based on Hainan Airlines, a private regional carrier on Hainan Island, which later grew up to be one of the nation's four large carriers along with Air China, China Eastern and China Southern.

**Since the airline began operating in 1993, revenue of the group soared to CNY127.7 billion** within two decades from CNY117 million. The group owned 19 airplanes, which transported some 45 million passengers annually by 2012. The fleet of the carrier increased to 427

in 2012 from only three when the airline was founded. It also owned 28 overseas companies, with total assets of CNY75.2 billion. The group accelerated its rapid expansion from 2013 by purchasing overseas companies, airlines and lands, mostly fueled by bank borrowings. HNA also owns 25% of Hilton Worldwide.

In its heydays, the total assets of the HNA Group reached CNY1.2 trillion in 2017, making it one of the biggest conglomerates in China and a multinational enterprise covering aviation, real estate, tourism, assets and logistics. The group began being hit by a series of crises in 2017. Wang Jian, former Chairman and Co-founder of HNA died in an accident in 2018 after falling down a hill in France, the Shanghai Daily reports.

### Home sales slumping due to tighter regulations and concerns over potential Evergrande default

**China might not have its customary "gold and silver months" for home sales this year, which are normally in September and October,** experts predicted, as recent data showed a continued cooling trend triggered by a mixture of factors, including tightened government regulations and concerns about Evergrande's potential default. During the recent Mid-Autumn Festival, 26 major Chinese cities, including Beijing, saw housing turnover slump compared with the same period last year, according to house information website [julive.com](http://julive.com). The data again attested to a cooling trend in China's property market that started around April. According to data from the National Bureau of Statistics (NBS), new commercial housing prices in first-tier cities rose 0.3% in August compared with July. The NBS data also showed that of China's 70 major cities, 20 saw new commercial house prices decrease month-on-month in August, compared with only 16 in the previous month.

Xue Jianxiong, President of a Shanghai-based asset management firm, told the Global Times that China's housing turnover began to edge down around April as a

result of tightening government regulations and a coronavirus-triggered economic slowdown. “Some cities, like Shanghai, have seen house trading volume edge down, but prices are stable as those cities are still in the primary stage of market adjustment. But generally, the housing market is in a period of correction, both in terms of prices and trading volume,” Xue said. Experts mainly attributed the situation to the country’s tightening policies, including a reported government order that developers’ land purchases can’t exceed 40% of their yearly sales revenues, as well as limits on banks’ loans to developers and individuals. This year, central and local governments rolled out as many as 400 measures to regulate the housing market, setting a record.

**Evergrande is under immense pressure after it faced difficulties in repaying liabilities that exceed USD300 billion after years of borrowing.** Evergrande started to repay the interest on some of its bonds starting on September 23 but still faces more bond repayments in the coming weeks. According to the Wall Street Journal, Chinese authorities are instructing local governments to prepare for the potential downfall of the Evergrande Group, signaling a reluctance to bail out the property developer while bracing for any fallout from the company’s difficulties. Local governments have been ordered to assemble groups of accountants and legal experts to examine the finances around Evergrande’s operations in their respective regions, and talk to local state-owned and private property developers to prepare to take over local real-estate projects, the officials told the Wall Street Journal. But local-level government agencies and state-owned enterprises have been instructed to step in only at the last minute should Evergrande fail to manage its affairs in an orderly fashion.

**As of the end of June, Evergrande was involved in 778 projects located in 233 cities across the country,** according to its first-half financial results. In the first half of 2021, it launched 65 new projects for sale in cities including Beijing, Guangzhou and Shenzhen. As a result of property tightening measures, the country’s residential property sales fell 20% in August year-on-year. Considering that the fall was mostly driven by the high base last August, Fitch Ratings said in a research report that the decline was not “as alarming as the headline numbers suggest.” August 2021 sales totaled CNY1.1 trillion, the second-best August sales on record, according to the rating agency, expecting full-year home sales to “remain largely flat from 2020 even if the decrease in monthly sales persists for the rest of this year.”

## **COSCO taking 35% stake in Hamburg’s Tollerort container terminal**

**Hong Kong-listed COSCO Shipping Ports’ new strategic alliance with Hamburger Hafen und Logistik (HHLA),** a German container terminal operator whose revenue puts it among the top players in the segment, **will further augment the throughput at the Port of Hamburg** and expand trade between China and Germany, experts said. Terminal operator COSCO Shipping Ports is a business unit of China COSCO Shipping Corp, the country’s largest shipping company by market share. It

announced it will acquire a 35% stake in HHLA Container Terminal Tollerort (CTT) at the German port. The agreement has been signed but financial details were not disclosed. “We are looking forward to strengthening the cooperative relationship with Hamburger Hafen through this investment to leverage the complementary advantages of both parties and provide better high-quality service to our customers,” said Zhang Dayu, Managing Director of COSCO Shipping Ports. CTT is one of the three container terminals of HHLA at the Port of Hamburg with four berths and 14 container gantry cranes. China COSCO Shipping Corp’s largest container vessels with a capacity of 20,000 TEU have been handled there.

The terminal’s own railway station, which has five tracks, is connected to the hinterland, allowing goods to be transported quickly between CTT and other European destinations. As one of the most important trade hubs connecting Europe with China, the Port of Hamburg boasts great geographical advantages and impressive distribution facilities. It is also a key node of the China-Europe Railway Express freight train service, said Zhou Zhicheng, Researcher at the Beijing-based China Federation of Logistics and Purchasing (CFLP). Trade between China and Germany reached CNY858.25 billion in the first eight months of this year, up 21% year-on-year, according to the the General Administration of Customs.

As nearly every third container that is handled in Hamburg has its origin in China or is destined for the Chinese market, the COSCO Shipping-HHLA partnership will benefit Hamburg’s position as a regional logistical hub and reinforce its competitiveness in the Baltic region, said Dong Liwan, Professor of shipping management at Shanghai Maritime University. “Since many countries are confronting tough challenges caused by expensive shipping costs and container shortages, the partnership reflects COSCO Shipping Ports’ effort to build a global terminal network by expanding its current operations, which include five terminals in China,” he said. At the end of June, COSCO Shipping Ports operated and managed 357 berths at 36 ports worldwide, of which 210 were for containers, with a combined annual handling capacity of 118 million TEU, the China Daily reports.

## **Boeing forecasts that Chinese airlines will need 8,700 new airplanes in the next 20 years**

**U.S. aircraft manufacturer Boeing has raised its forecast for the demand of aircraft in China, saying that over the next 20 years, Chinese carriers are expected to acquire 8,700 new airplanes valued at USD1.47 trillion** to meet sharply expanding commercial air travel demand. In the next 20 years, China’s demand will account for 20% of the total demand for new airplanes in the world. By 2040, China’s middle-income class is expected to double from the current level, Boeing said. By 2030, China’s domestic passenger market will exceed intra-European traffic. By 2040, China’s domestic air traffic is expected to exceed that within North America, Boeing predicted. “The rapid recovery of Chinese domestic air traffic during the Covid-19 pandemic speaks to the market’s underlying strength and resilience,” said Richard

Wynne, Managing Director of China Marketing at Boeing Commercial Airplanes. "In addition, there are promising opportunities to significantly expand international long-haul routes and airfreight capacity. In the longer term, there is potential for low-cost carrier growth to further build on single-aisle demand," he said.

By 2040, China will have continued high demand for single-aisle airplanes and will need nearly 6,500 single-aisle aircraft. The deliveries of wide-body aircraft, including passenger and cargo models, will total 1,850 in the next two decades, accounting for 44% of demand by value, Boeing said. By 2023-24, the global air travel market is expected to again reach the level of 2019, Boeing forecast. Boeing also forecast that by 2040, China's civil aviation industry will require more than 400,000 new employees, including pilots, technicians and cabin crew. The market for commercial aviation services is expected to reach almost USD1.8 trillion in the next 20 years. Boeing and its partnerships in China contribute more than USD1.5 billion annually to the Chinese economy.

**China's budget airlines account for 15% of total market share**, lower than the 32% in North America, 43% in Europe and 67% in Southeast Asia. Boeing said with a relatively low market share, China's low-cost airlines market is expected to grow further in the future. In addition, Boeing said China will need a significant number of freighters. Since the pandemic started, global freight capacity dropped 11% compared to the pre-pandemic period, but total turnover has exceeded the level seen before the pandemic. Meanwhile, China's first self-developed large passenger jet, the C919, is set to be delivered to China Eastern Airlines before the end of the year, the China Daily reports.

## U.S. companies operating in China expect revenue growth in 2021

**A majority of U.S. companies operating in China are optimistic about profits and are investing more** to benefit from China's anticipated future growth, according to a new survey by the American Chamber of Commerce in Shanghai and consultancy PwC. Of all the surveyed companies, 82.2% said they projected revenue growth in 2021, a return to the levels of confidence last seen before the height of U.S.-China trade tensions. Of the 338 companies participating in the annual survey, which is in its 23<sup>rd</sup> year, nearly 80% described themselves as either "optimistic" or "slightly optimistic" about the five-year business outlook in China, a return to the figures found between 2015 and 2018. "The sheer size, consumer base and opportunities present in this market are gravitating companies into China," said Jeff Yuan, a lead partner for the China-U.S. Multinational Corporation Business Services Group at PwC China. China remained a stable source of profitability, with 77.1% of survey respondents reporting positive earnings last year. Nearly 70% expected revenue growth in China to outpace their companies' worldwide growth for the next three to five years. Speculations that some U.S. companies might move production or supply chains out of China in the aftermath of the Covid-19 pandemic have proved unfounded: of the 125 respondents that said they manufacture in China, 72% had

no plans to move any production out of China in the next three years.

"American businesses in China bounced back quickly from the 2020 Covid-19-induced shutdown," said Jeffrey Lehman, Chairman of AmCham Shanghai. The fact that many Chinese companies have localized supply chains is alleviating the negative impacts of bilateral tariff disputes and the Covid-19 pandemic, he added. Yuan, of PwC, said, "Having a China strategy is still a priority for many of the U.S. companies in China that are optimistic about the future in China." AmCham Chairman Lehman said U.S. companies, notably those in the agriculture, finance and chemical sectors, are finding that the intellectual property and regulatory environment is "significantly improving". Other highlights of the survey findings include a priority on investing in digital technology-related areas and a doubling down on projects with an emphasis on environmental, social and corporate governance factors, the China Daily reports.

## ADB expects 8.1% GDP growth in China, OECD forecasts 8.5%

**China is expected to see 8.1% economic growth this year**, as solid export performance and increased fiscal support in the second half will offset a more protracted recovery in household consumption, said economists at the Asian Development Bank (ADB). The forecast was unchanged from its projection in April. However, the ADB lowered the GDP growth forecast for developing Asia, which groups 46 developing economies in the Asia-Pacific region that are members of the bank, to 7.1% this year, down from the prediction of 7.3% in April. "We would expect a more protracted recovery in household consumption in China, while at the same time, this would be compensated by higher infrastructure investment and ongoing good export performance," said Dominik Peschel, head of the economics unit for the ADB Resident Mission in China. Economists at the bank expect household demand in China to further recover gradually, and this should also help the services sector. "We think people will travel more and demand more services once the Covid situation is fully under control and the restrictions have been lifted," Peschel said.

Looking ahead, China's economic fundamentals are still strong and its future growth will remain stable in 2022, said David Chao, Global Market Strategist for the Asia-Pacific region (except Japan) at Invesco. The ADB's economists also expect China's monetary policy to ease marginally. "Another cut in the reserve requirement ratio is possible in the second half of this year," Peschel said. "At the same time, credit to the real estate sector and shadow bank financing will remain tightly regulated." Peschel said he is looking forward to more fiscal support because there is room to increase spending without incurring a high fiscal deficit as revenue recovers.

An executive meeting of the Chinese government chaired by Premier Li Keqiang adopted the 14<sup>th</sup> Five Year Plan for New Infrastructure Development, to spur domestic demand, economic transformation and growth sustainability.

The Organization for Economic Cooperation and

Development (OECD) said in its interim economic outlook that China's real GDP is expected to grow 8.5% this year and 5.8% in 2022. Both figures are the same as the OECD's projections in May, the China Daily reports.

## Chinese companies accelerating digital transformation

**Chinese companies are accelerating their digital transformation and deploying cloud computing, big data and innovative technologies**, in order to achieve sustainable growth and stay competitive, according to a report by global consultancy Accenture. The report said 16% of interviewed companies can be designated as **"Digital Transformation Champions"**, which have generated more than half of their revenues from new areas of business in the past three years, up from 11% of companies in that category in the previous year. It found the revenue growth of Chinese companies which went through a digital transformation was 3.7 times that of other companies in 2020. About 27% of companies in the traditional retail industry and 25% of companies in the logistics sector said they will increase investment in digitalization over the next one to two years.

Samantha Zhu, Chairperson of Accenture China, said businesses in China have proven their ability to remain competitive on a global scale. Some 91% of executives in China are confident about achieving their growth targets. The performance gap between digital champions and others within the country, however, is widening each year,

Zhu noted. "This puts digital transformation at the forefront as companies realize how technology investment and implementation can accelerate industry upgrades and continue to drive sustainable growth amid the profound and prolonged impacts of the Covid-19 pandemic and disruption," Zhu said. The research also showed that for companies that continue to lag in expanding their digital capabilities, only 46% were satisfied with the integration and collaboration of their supply chains. Just 52% have launched new products and services in response to new demands, compared with 83% of the champions. Zhu said Chinese companies should set a clear digital transformation strategy and continuously and accurately evaluate their performance to find areas for new innovations.

This is the fourth consecutive year Accenture has conducted research for the China Digital Transformation Index in collaboration with the China Industrial Control Systems Cyber Emergency Response Team. Researchers studied 563 Chinese companies across nine industries like electronic components and materials, high-tech electronic manufacturing, automotive and engineering machinery, and medical and pharmaceutical. In China, new industries and forms of business buoyed by digital technologies like big data and artificial intelligence are flourishing. China's digital economy was worth nearly USD5.4 trillion last year, ranking second in the world. That represented a year-on-year growth of 9.6%, the fastest in the world, according to a white paper released by the China Academy of Information and Communications Technology, the China Daily reports.

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