China Business Weekly

5 October 2021

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

FCCC/EUCBA ACTIVITIES

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

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

SUBSCRIBE HERE

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

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 1st 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

SUBSCRIBE HERE

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 14th Five-Year Plan and identifies the areas of risk and opportunity, both for European business and China's economy.

Pogram:

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. Form 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

SUBSCRIBE HERE

Webinar: Experiences and Future Prospects of Ageas in China
14 October 2021, 16h00 - 17h00

The Flanders-China Chamber of Commerce (FCCC) is organizing with the support of Flanders Investment & Trade an exclusive meeting with Mr. Filip Coremans, Managing Director Asia of Ageas and Vice-Chairman of the FCCC. During this meeting, Mr. Coremans will share the experiences and future prospects of Ageas in China.

This webinar will take place on **October 14**, 2021 at **16h.**

Program:

16h00-16h05: Introduction by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce;

16h05-16h45: Presentation on experiences in China by Mr. Filip Coremans, Managing Director Asia of Ageas & Vice-Chairman FCCC.

16h45-17h00: Q&A session

Practical information:

Date and time: October 14, 2021, 16h00-17h00

Location: Online

Price: Free

SUBSCRIBE HERE

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

SUBSCRIBE HERE

PAST EVENTS

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 organized – with the support of Flanders Investment and Trade – a webinar on **How to mitigate currency risk when trading with China** on **September 29, 2021**.

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce welcomed the participants to the webinar. For many of our companies travel restrictions to China are the biggest issue now, which is expected to last at least till the middle of next year before we will be able to go back to China. We will keep you informed as soon as we have more information if we can travel earlier to China. Flanders' exports to China in 2020 reached €7.63 billion, growing by 22% compared to 2019. This sharp increase in exports to China was due to the Covid-19 pandemic with a sharp growth in

exports of chemical and pharmaceutical products. In the first half of this year, exports reached €3.04 billion, a drop of 20%, returning to the level of 2019. Flanders' imports from China in the first half of this year reached €7.88 billion, an increase of 2.53%. The IMF predicts that China's economic growth will reach 8.1% in 2021, the highest in 10 years. Many international brands consider China their most important growth market taking into account the growing middle class.

According to an annual survey of European companies in China, they maintained profitability, which is similar to a recent survey of American companies in China, of which 70% expected revenue growth in China to outpace their companies world-wide growth for the next three to five years. Many companies are also seeking to secure their supply chains, five times as many are onshoring as offshoring and this also reflects the "in China for China" strategy, coupled with the new strategy of limiting exposure to cross-border risks like tariffs and export controls as onshore supply chains are more resilient. Innovation is one of the reasons the Chamber's members want to be in China and the Chinese market is becoming a global driver for innovation. In a recent survey, 72% of European respondents see Chinese firms as equally or more innovative than European ones. According to a report by the World Intellectual Property Organization, China ranks 12th in the global innovation index of 2021, up two places compared to 2020. European companies also state that they continue to see China as a top or top three-destination for present and future investments.

Mr Kris Mercelis, Country Manager Belgium, Ebury, explained the purpose of the webinar: how payments to and from China work, what the related currency risks are, and how to better manage them. Ebury is an internationally active fintech company, specialized in helping international companies with cash management, foreign exchange hedging, international transactions and short-term financing.

Ms Isabel Ye, Director of China Initiatives, Ebury, introduced the three denominations of the RMB in the foreign exchange market: CNY, CNY non deliverable and CNH. CNY refers to the Chinese currency that is traded locally in mainland China, which excludes Hong Kong and Macao. The CNY's daily rate is fixed by the People's Bank of China (PBOC) and it is only deliverable inside China. In the overseas market, foreign investors can tap into the CNY non deliverable and the CNH. CNY non deliverable is accessible outside China, but settlement needs to be in USD. CNH is the name for the overseas CNY, which is only traded outside China, is free floating, and is deliverable outside China. You can exchange euro into CNH and pay your suppliers in China. Traditionally, most of global trade between China and the West has been done in USD. For suppliers in China this was the most natural thing to do because USD was a strong currency and they were used to work in USD with their counterparts in the West. In 2016 the Chinese yuan became one of the basket currencies of the International Monetary Fund (IMF) and the RMB embarked on the road of internationalization with increasing volatility in the exchange rate. In April 2018 the exchange rate USD/CNY dropped to the lowest level since 2014 at USD1 equalling CNY6.25. Later, in August 2019 when Sino-USD trade tensions almost reached a peak, the exchange rate rose to 7.15. Between the lowest and highest level there is a fluctuation of 14.4%.

Due to the process of internationalization of the RMB, more and more suppliers in China are looking to work in RMB directly with their counterparts in the West. The Chinese authorities have also been pushing more and more companies in China to work in the local currency. In December 2020 the authorities published a notice on further optimizing the cross-border RMB policy. It aimed to simplify the paperwork required by the banks from the suppliers. They were allowed to directly submit electronic documents. More and more buyers in the West are turning to transacting in RMB to prevent suppliers adjusting prices based on how the USD/CNY exchange rate is moving. For European importers it will give them full control to manage their foreign exchange risk and get the highest transparency on the suppliers' base price.

Next, Ms Isabel Ye explained how importers needed to protect themselves against one sided risk. In the beginning of 2020, the exchange rate USD/CNY was 6.97, but suppliers were budgeting most likely at 6.80, giving them an additional margin coming from USD appreciation. The peak of the exchange rate was on May 26 at 7.17, giving an extra benefit to the suppliers. Did the suppliers talk about reducing their prices? No. But the buyers were also happy because the prices were stable. In the second half of 2020, the RMB was strengthening to 6.75 on September 15, which was lower than the suppliers' budgeted rate, so now they have a problem as the situation is reversed and they are receiving less than expected. Suppliers are now asking for an increase in their unit prices. This is called one sided risk: when the rates are favorable to the suppliers the clients don't get to share in the profit but when the situation reverses, the supplier is suffering losses and shares the loss with the buyer. It is better for buyers to pay directly in the local currency of the supplier so they can fully manage the exchange rate.

Chinese suppliers are increasingly open to receive RMB, but there are also a few factors to consider. The main reason for suppliers to accept RMB is hedging capability, because most suppliers have limited access to hedging from local banks. They would need to have a credit line from their bank to borrow and do hedging. Depending on where suppliers are based they are more or less exposed and more open to RMB payment from overseas clients, such as those in major exports hubs Zhejiang and Guangdong. Suppliers who source much from abroad prefer USD.

Some issues from Chinese suppliers are:

1. Will the suppliers lose their tax refund if being paid in RMB? Clients will be paying in RMB from outside China and cross-border RMB is also eligible for VAT rebate.

2. The banks ask for a lot of paperwork to receive RMB? Suppliers are able to submit documentation electronically effective since February with the new PBOC RMB guideline.

3. Suppliers would receive RMB in their offshore account in Hong Kong and there are some issues sending the funds to mainland China? Ebury is offering a unique solution – the parallel forward – to protect against the risk of volatile RMB

whilst settling payments in USD.

What is the situation for exporters wanting to sell into China? How can they receive money from China? There are strict capital controls in mainland China, which only allow for the movement of funds in certain situations. For businesses it is allowed to transfer funds abroad without restrictions for cross-border trade of goods and services, overseas education and overseas conferences. Outside these categories special permission from the State Administration of Foreign Exchange (SAFE) is required. At the personal level, each person has a foreign quota of USD50,000 or equivalent per year which can be used for travel, education or shopping. But an investor in China looking to buy a property abroad will need to file an application with the regulator as this is not an authorized category. A Chinese subsidiary of a foreign company sending profits back to the parent company will also need to file an application.

How can Ebury help you?

Importing from China: suppliers' liaison services to help in the communication with suppliers, including price negotiations; conversion of euro into CNH at current spot rates or hedging up to five years; and conversion of CNH into euro or other currencies at current spot rates or hedging.

Exporting to China? Ebury can offer a client-named CNH account in Hong Kong. Sellers can receive cross-border CNH in the account, convert it into euro and have it credited to their bank account in the same day. Hong Kong is part of China but from a payment perspective, it is still a cross-border payment subject to the already mentioned restrictions. Ebury can also provide conversion of CNH into euro or other currencies at current spot rates or hedging.

Mr Hendrick Geerits, Kwimex Trading Co, explained that Kwimex is doing imports from China since 1999 and also a little export. Its business partners are mostly distributors, production companies who want to buy spare parts, and partners selling through the internet. About 95% of the company's business is imports and only 5% is exports. Kwimex's added value includes sourcing and relation management with suppliers in China; inspection of products before shipment based on the international standard ISO2859; logistical and legal arrangements for all the orders; import responsibility including compliance with laws and regulations; and financial and currency management.

Kwimex's currency management is part of total risk management. In the years 2000 to 2005, the CNY/USD rate was fixed at 8.27, but from 2005 to 2015 the Chinese renminbi rate became stronger and stronger. After 2019 the rate changed in both directions. Invoices are still in USD and customers take the risk in USD. In 2019 the company only bought in USD and also mainly sold in USD. This way the customers took the risk, or covered their purchasing USD volumes with bank hedge contracts. Kwimex is now doing the currency business with Ebury. We need to convince our Chinese suppliers that they can accept our CNY without losing the tax refund and therefore use Ebury's tax refund guide. About 50% of Kwimex's suppliers now make CNY sales contracts. The company's bookkeeping also had to change to CNY. Hedging is now applied to every CNY payment. Customers are positively surprised now that we make the invoices in euro and Chinese suppliers normally can offer better prices. We also save because Ebury's transactions costs are lower than those of the traditional banks. Kwimex wants to fully go for euro-CNY business without using the USD anymore.

Q&A: Some suppliers want USD because they get subsidies from the Chinese government based on USD inflows. Ms Isabel Ye: All local authorities have an export quota counted in USD. If they receive RMB it will be impossible to distinguish between the RMB generated in China and cross-border. In this case Ebury can use the parallel forward product to pay them in USD equivalent. **Mr Kris Mercelis: I will give some more information on Ebury.** It is an electronic payment institution regulated by the National Bank of Belgium. Payment institutions are obliged to put all client money in a specific, separate, segregated and safeguarded account. Concerning hedging, we don't take risks ourselves but aggregate all the client flows and go to our own liquidity providers.

Follow the Flanders-China Chamber of Commerce on LinkedIn – Click here

HEALTH

Covid-19 outbreaks in Fujian and Heilongjiang brought under control

The latest Covid-19 outbreaks in Fujian and Heilongjiang provinces have been effectively brought under control, as **China reported no new locally transmitted cases on October 5**, although there are still several imported cases daily, mainly Chinese citizens returning home from abroad.

China is accelerating the formulation of guidelines for Covid-19 vaccine booster shots for key groups of people as the risk of infection from imported coronavirus variants remains high, Cui Gang, an official at the National Health Commission (NHC), said. Booster shots will be given first to people who work in high-risk areas including airports, ports, border checkpoints and hospitals, as well as people over the age of 60. Whether booster shots should be given to all people is still being researched.

At a meeting of the Political Bureau of the Chinese Communist Party, General Secretary **Xi Jinping called for stronger measures to prevent and curb biological risks**. He emphasized the importance of biosecurity, which is a key component of overall national security, saying that the issue is vital to people's health, the long-term stability of the country and the sustained development of the Chinese nation. China's first Biosecurity Law came into force in April. China must reinforce biosafety management of pathogenic micro-organism laboratories, which must strictly carry out relevant protocols and standards, and manage samples, lab animals and waste in a stringent manner, Xi Jinping said. He added that China must work toward self-reliance and a stronger capacity in science and technology regarding biosecurity. Xi Jinping also cautioned against complacency in the nation's efforts to fight the pandemic, saying that the various containment measures must be enforced in a strict manner.

China published a chronicle of its work facilitating a WHO-organized mission to study the origins of the coronavirus, starting in July last year, when the World Health Organization and China began laying the groundwork for deepening understanding of the coronavirus' origins, and ending in late March, after a joint report was released to the public and international and Chinese members of the team held briefings about the results of the investigation. The joint team's trip to Wuhan covered a number of key facilities, including the hospital that first reported a patient with a mysterious pneumonia-like disease and a local infectious diseases hospital that treated a large number of patients severely ill with Covid-19. The team also went to the Huanan seafood market, local disease control and prevention centers, a provincial-level animal disease control institution, the Chinese Academy of Sciences' Wuhan Institute of Virology (WIV), a blood donation center and some neighborhoods. Publication of the chronicle is intended to counter Western claims that China was secretive and withheld information.

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

INNOVATION

China is a world innovation leader, says WIPO

A consistent innovation policy, increased spending on education and science, and the ability to translate all these into sound results, are behind China's current role as a global innovation leader, according to a senior official from the World Intellectual Property Organization (WIPO). According to the **WIPO's Global Innovation Index (GII) 2021** released recently, **China** is still the only middle-income economy among the world's top 30 most innovative countries. It **has established itself as a global innovation leader and is approaching the top 10**. China has made continuous progress from ranking 14th last year to 12th this year and is now "knocking at the door of the GII top 10". This year, China also made the top three in the Southeast Asia, East Asia and Oceania region for the first time. China's success story can be explained by its consistent and persistent innovation policy planning and

execution for more than three decades, as well as by the fact that it has impressively increased spending on education, science and technology, said Sacha Wunsch-Vincent, co-editor of the GII, But, more importantly, it is the country's ability to translate pro-innovation policy and innovation inputs into sound results, such as intellectual property, innovative products and high-tech exports.

"The speed with which China has built well-known high-tech firms, mostly in the information and communication technology sector or the white goods sector, including large home appliances, which are known around the world, **has been impressive,"** Wunsch-Vincent said. "The way these companies have consistently invented, filed for and used intellectual property, including trademarks, brands and design, is an important differentiating factor too." China has overtaken Japan, Germany and the United States in the number of international patent applications by origin, scaled by GDP, and its lead is striking when considered in absolute terms. The same is true for the number of trademarks and industrial designs by origin as a percentage of GDP. The latest GII results indicate that **in terms of innovation clusters geographically**, although the top 10 list remains the same as last year with only minor shifts, **Shenzhen-Hong Kong-Guangzhou and Beijing now rank second and third**, respectively, after the Tokyo-Yokohama cluster in Japan. Shanghai ranks eighth. China has 19 of the top 100 clusters. But what matters more than the numbers is the constant pursuit of a "sound, organic innovation ecosystem in China, which is sufficiently connected to the innovation actors of other countries," Wunsch-Vincent said.

The GII, published annually, provides performance measures and ranks 132 economies on their innovation ecosystems. As in past years, **Switzerland, Sweden, the U.S. and the United Kingdom continue to lead the innovation ranking.** Other countries in the GII top 10 include South Korea, the Netherlands, Finland, Singapore, Denmark and Germany. Speaking of China's steady climb in the GII ranks since 2013, Wunsch-Vincent believes that it is not at all unnatural, as China's policymakers have tried to consistently learn from and improve on their past innovation policies, while benchmarking current policies and performances against the past and against those of other countries. "We can see an effort to improve further, be it in the field of reinforcing science-industry linkages, in further building Chinese innovation clusters, or in putting the huge stock of Chinese intellectual property filings to use via commercialization or cross-licensing," he said. Despite the Covid-19 pandemic, the GII shows that global innovation has not slowed down, especially in areas where the aim is to overcome the pandemic. "Top countries and top firms have been relatively resilient, and they have spurred innovation throughout the crisis. Our data show that this is true for China," he added.

At the firms level, for example, the WIPO expert named **companies such as Huawei, Alibaba, Tencent, Baidu and ZTE as ones that have performed strongly**. So have other top research and development intensive companies in China, such as China Communications Construction, Power Construction Corp of China and PetroChina. Also, venture capital deals and deal values at the global level increased in 2020 and in the first quarter of 2021, largely due to a strong rebound in China. "The full impact of the Covid-19 crisis on innovation will be felt in the rankings over time only. Yet, the expectation is that Chinese firms will continue their innovation drive," Wunsch-Vincent said, as reported by the China Daily.

Download the Global Innovation Index 2021 in PDF

FOREIGN INVESTMENT & TRADE

U.S. companies worried about U.S.-China relations

U.S. companies operating in China are more worried about strains in the relationship between the two countries than they are about regulatory transparency and intellectual property issues, as 71% of U.S. companies polled in a survey by the American Chamber of Commerce in Shanghai said geopolitical tensions are a significant worry for their business executives in China. The **2021 China Business Report** was presented by PwC Partner Jeff Yuan at the PwC Innovation Center in Shanghai.

"Improved U.S.-China relations is something all of our members are really hoping for, and that's really what would smooth the way for greater growth," said Ker Gibbs, AmCham Shanghai President. In its survey, 55% of the respondents agreed that improved bilateral relations will benefit their industry over the next three to five years. The political tensions and talk of a decoupling of the countries' technology sectors weighed heavily on Chamber members engaged in electronics, with 90% of them saying the issue will be a top challenge in the next three to five years, according to the 2021 China Business Report.

For some companies, even though the tensions haven't caused them to divert current investments out of China, it is a negative factor when considering further market expansion, the report said. Gibbs noted that there is no mass movement among companies to leave China or to

move production entirely out. There is a real reluctance to decouple from China as a production base because of the sophistication of the manufacturing ecosystem in China. Gibbs made similar points in a recent interview with Global Trade Talks, a podcast by law firm Crowell & Moring. "Everyone's on a heightened state of alert," he said in the podcast. "It is becoming more difficult to navigate with this sort of narrowing of space in which to operate," said Gibbs, referring to export controls introduced by the U.S. "We've got sanctions on the U.S. side, and then we've got counter-sanctions on the Chinese side. So the space to navigate is becoming more narrow, and remaining compliant in both countries is more challenging."

In this year's survey, **intellectual property** – an issue raised over the years by foreign companies – **did not make it into the top concerns**. As for China's regulatory environment, the report shows that it continues to improve, particularly in areas such as companies' ability to obtain licenses. "China is not a perfect place for IP protection, but if we look at the trends over the last five years, what we do see is continued improvement," Don Williams, Partner at law firm Hogan Lovells International, told the webinar. China has set up special IP courts in Guangzhou, Beijing and Shanghai, and on average, foreign companies win almost as often as Chinese companies do in these courts, which is "a good sign" and reflects the improvements, Williams said. For U.S. businesses, it is the Chinese growing middle class and the buying power of consumers that are providing tail winds, said Gibbs. "From a brand point of view, we still have an adequate reservoir of goodwill in China," he said. "The Chinese people in general still have favorable perception toward our brands." But he noted that "it's not an unlimited reservoir; it has started to drain".

In contrast to the notion that U.S. companies' China operations take away U.S. jobs, the report found a 4.6 percentage-point increase in the number of companies reporting that **their China operations added to their U.S. employment and operations**, rising to 28.6%. "It is clear that there are a large number of jobs in the United States that are supporting the growth in business in China," said Gibbs. He said the Chamber will work to communicate the notion that U.S. businesses in China can translate into jobs in the U.S., so that the U.S. government and the people can "see the overall relationship in the larger context of the benefits of this relationship that do flow back to the U.S. and do flow back to the American workers", the China Daily reports.

AmCham Shanghai noted on its website a five-year optimism rebound as **77.9% of companies described themselves as either optimistic or slightly optimistic about the five-year business outlook**, as well as surprisingly strong 2020 profits with 77.1% of respondents reporting profits in 2020, in line with the past several years, but higher than many expected. More than 82.2% of companies projected higher revenues in 2021 than in 2020, a return to revenue growth levels last seen before the worst days of the U.S.-China trade war. In 2021, the majority of companies (59.5%) reported increased investment compared to 2020, up 30.9 percentage points, and near 2018's 62%. Of manufacturers producing in China, 72% had no plans to move any production out of China in the next three years. Of the remaining 28% that plan to move any production, only two companies (1.6%) will move all production in the next three years. No companies were relocating their production from China to the U.S.

The 2021 China Business Report is only available to members of AmCham Shanghai at the AmCham Shanghai website.

ADVERTISEMENT AND SPONSORSHIP

Interested in advertisement in the FCCC Weekly or on the FCCC website? Send an e-mail to info@flanders-china.be

CHINA NEWS ROUND-UP

Strong sales of smartphones and PCs expected in fourth quarter

Smartphones and personal computers are expected to see strong sales in the fourth quarter of this year, experts said. Smartphone and PC vendors have rushed to unveil their latest products and offer discounts for older models over the week-long National Day holiday, when consumers tend to spend big to upgrade their electronics. Xiang Ligang, Director General of the Information Consumption Alliance, said the National Day holiday is typically a peak sales period for smartphones and PCs. "A number of new smartphone models were unveiled ahead of the holiday, featuring cutting edge design such as under-display cameras and appealing prices," Xiang said. In recent weeks, established tech companies including Apple, Huawei Technologies, Oppo, Xiaomi and Vivo, as well as emerging smartphone vendors such as Realme and iQOO, unveiled their latest products, ranging from middle-end to premium models. Such a broad range of offerings covers all price segments for consumers, which can attract more people to upgrade their devices to 5G-capable ones, Xiang said.

Wang Xi, Research Manager of global market consultancy International Data Corp (IDC), said the price of the iPhone 13 with 128 gigabytes of storage, for instance, is about CNY800 lower than that of the iPhone 12. **In August, 24.31 million smartphones were shipped in China, down 9.7% year-on-year**, data from the China Academy of Information and Communications Technology shows. The decline was the result of weaker-than-expected

demand and a lack of flagship products that could trigger consumer interest. But the new flagship smartphone offerings are likely to help change the situation in the fourth quarter, experts said. Despite the overall decline, shipments of 5G phones are growing year-on-year. **Shipments of 5G phones in China surged 79.7% year-on-year to 168 million units in the first eight months of this year.** In August alone, 5G phones accounted for 72.8% of all smartphones shipped in China, according to the China Academy of Information and Communications Technology.

Meanwhile, more smartphone vendors are entering the PC sector with new products. Realme recently launched its first laptop after the company sold more than 100 million smartphones worldwide. Smartphone brands Xiaomi, Huawei and Honor Device Co have all launched notebook computers recently. Independent tech analyst Fu Liang said laptops, as productivity tools, continue to play a very important role in people's daily work, even more so during the Covid-19 pandemic. With the entry of new players in the PC sector, consumers' enthusiasm to upgrade PCs is also likely to increase, the China Daily reports.

Driverless trucks to revamp logistics and industrial sectors, as first pilot project launched

Driverless trucks will help revamp the logistics and industrial sector in China, the China Daily reports. **Plus, a leading company in driverless truck technology, launched China's first commercial freight pilot project recently** in cooperation with SF Express. As part of the ongoing pilot, Plus is running its supervised autonomous trucks on two long-haul routes – from Wuhan to Wuxi, a round-trip of 1,448 kilometers – and from Changshu to Wuhan, a round-trip of 1,609 km. "The logistics industry around the world is undergoing a sea change driven by the explosive growth of e-commerce and demand for faster deliveries. Unmanned driving technology aims to address the critical business issues fleets are facing today – keeping drivers happy and productive, reducing operating costs, and meeting sustainability goals," said Shawn Kerrigan, COO and Co-founder of Plus. He noted that the company developed PlusDrive, which is designed to keep a professional truck operator in the vehicle to supervise the autonomous driving system, which allows SF Express to optimize the efficiency of its current fleet and not to wait for years for full driverless trucks to be ready.

Uisee, another leading autonomous driving firm, told China Daily it **has achieved a year-on-year sales growth of 150% last year** despite the Covid-19 pandemic. By cooperating with industry leaders such as Changan Minsheng Logistics, FAW Logistics, BASF and Dongfeng Motor, the company has been developing Level-4 autonomous driving logistics. At the beginning of this year, the company has raised over CNY1 billion in its latest round of fundraising. It was also the first time that the National Manufacturing Transformation and Upgrade Fund, a CNY50.1 billion state-owned fund to promote the country's manufacturing industry, has invested in a autonomous-driving company. Global consulting firm Bain & Co said China has become the world's largest road transportation market, with a fleet of more than 5 million heavy trucks and over 14 million light and medium trucks. He Xiaofei, Founder and CEO of Fabu, who was also a former Vice President and a top autonomous-driving expert of Chinese ride-hailing firm Didi Chuxing, left Didi and founded the company in 2017 and has raised an undisclosed sum from Sinovation Ventures, a Beijing-based leading early-stage venture capital firm.

"Compared with driverless passenger vehicles, commercial vehicles including unmanned trucks follow a fixed route, for example from one warehouse to another, and run in a relatively simple way," He said, adding it is also one of the reasons why **autonomous trucks are likely to be commercialized faster than passenger vehicles**. 5G is expected to inject new impetus into the commercialization of driverless trucking in the country. "5G plays an irreplaceable role in unmanned mining transportation," said Zheng Di, Vice President of Beijing Tage iDriver Technology Co, a provider of unmanned mining transportation solutions. "Without 5G, transportation can only be regarded as automatic but not intelligent. Only with the high bandwidth and low latency of 5G can we collect massive amounts of data in real time and continue to do intelligent learning to finally save energy," Alex Zhang, Partner at investment firm FountainVest, said, as reported by the China Daily.

Boeing and GAMECO to expand cargo aircraft conversion; Airbus to develop new A350 freighter

Boeing and Guangzhou Aircraft Maintenance Engineering Company Limited (GAMECO) announced plans to create **additional capacity for the 767-300 Boeing Converted Freighter (BCF) to help meet continued strong market demand**. The agreement, revealed by the two companies during a signing ceremony at the China International Aviation & Aerospace Exhibition in Zhuhai, Guangdong province, will expand freighter conversion capacity at GAMECO, opening two new 767-300BCF conversion lines next year. GAMECO will be the first in China to convert the 767-300BCF and the only company converting both the 767-300BCF and the 737-800BCF. Earlier this year, GAMECO announced plans to open a third 737-800BCF conversion line.

Airbus said the firm's plan to develop a new A350 freighter has been approved, and the first A350 freighter is expected to hit the market in 2025. "We will bring a new choice to the market," George Xu, CEO of Airbus China said.

Airlines that suffered heavy losses in passenger traffic have realized the huge value of cargo business almost overnight. When the number of cargo planes was insufficient to meet demand, they even did not hesitate to convert a large number of passenger planes into freighters by refitting the cabins. According to the Civil Aviation Administration of China (CAAC), in 2020, the cargo and mail transportation volume of China's civil aviation still reached 6.76 million tons, equivalent to 89.8%of the previous year. Brian Pearce, Chief Economist of the International Air Transport Association (IATA) said over the next few years, air cargo will continue to play a greater role

than before the emergence of Covid-19.

In early May, Boeing completed a passenger-to-cargo 737-800BCF freighter at GAMECO and delivered it to China Post Airlines. This is also one of the three 737-800 passenger-to-cargo production lines Boeing has opened in China. Boeing has launched this modification task on a large scale in China. Since the first delivery in 2018, Boeing has delivered more than 50 737-800BCF freighters. Boeing forecasts that 1,720 freighter conversions will be needed over the next 20 years. Of those, 520 will be wide-body conversions with Asian carriers accounting for more than 40% of total demand. Boeing has more than 95 orders and commitments for the 767-300BCF.

Sinosure publishes Handbook of Country Risk 2021

The Covid-19 pandemic and geopolitical uncertainties and instability are causing more risks for Chinese companies' overseas investments, according to the **Handbook of Country Risk 2021**. The annual report was **issued by the China Export and Credit Insurance Corporation (Sinosure)**. First launched in 2005, the report has served as a reference for Chinese companies seeking to invest overseas. According to the report, global political risks are unlikely to be reduced quickly in 2022, with conflicts and confrontations in some regions persisting or intensifying, which could lead to a rise in global risk levels. Moreover, the world's economy is experiencing difficulty recovering from the pandemic. The report predicts that global economic growth will reach 4.7% in 2022, down one percentage point from 2021, and may fall to 3.3% in 2023.

"**Only about 60% of countries recovered to their pre-pandemic economic levels in 2021**, and about 20% are not expected to recover to that level even in 2022," said Yin Yanhui, Assistant President of Sinosure. As the world economy has yet to fully recover in 2021, the report stated that global debt will remain at a high level, and the ratio of public debt to GDP is expected to exceed 100% in 2022. Developed countries such as the U.S. and those in Europe are expected to see substantial improvement in their fiscal situations, with reduced financing needs and a steady decline in their debt burden. However, emerging economies will continue to run large fiscal deficits, face financing pressures and rising debt burdens.

Tian Dewen, Deputy Director of the Institute of European Studies at the Chinese Academy of Social Sciences, said profound changes are taking place in the global arena and different epidemic prevention and control policies could bring different prospects for economic recovery and country risks. Chinese companies need to fully understand a country's political and economic situation before making overseas investment decisions, as reported by the China Daily.

Shanghai aims to become world-class science & technology center

Shanghai will accelerate its development into a world-class science and technology center during the 14th Five Year Plan (2021-25), officials said. Integrated circuits, biomedicine, artificial intelligence and several other industries will be focuses and drivers in Shanghai's transformation into a global innovation hub, Lin Nianxiu, Deputy Director of the National Development and Reform Commission (NDRC), told a news briefing. He said Shanghai's Zhangjiang Comprehensive National Science Center is the core pillar for the city's rise as an international science center as it is home to numerous advanced scientific instruments and research platforms, which have produced many world-class original breakthroughs in recent years. Wu Qing, Vice Mayor of Shanghai, said scientists from the city contributed 32% of the Chinese papers published last year in top journals such as Nature, Science and Cell.

Examples of Shanghai's recent scientific achievements include major breakthroughs in plasma etching machine technology for chipmaking, a new drug to treat Alzheimer's disease named GV-971, and new advanced equipment for medical imaging and diagnosis, Wu said. **Shanghai has also been ranked the most attractive Chinese city for foreign talent for eight consecutive years**, he added. By 2025, Shanghai aims to have 4.5% of its GDP devoted to research and development (R&D). Basic research would make up 12% of the city's total R&D budget by then, Vice Mayor Wu said. To achieve these goals, the city will strengthen research in basic sciences and core technologies, attract more quality talent, facilitate reforms to fund and commercialize scientific output, and enhance international cooperation, he said. Wu said foreign talent and companies have contributed greatly to Shanghai's technological rise. Foreign capital accounted for over 40% of R&D spending by large companies and industries in the city. At the end of August, there were around 500 foreign-funded R&D centers in the city, and the number is set to rise to 560 by the end of 2025, Wu said.

The Vice Mayor said the Shanghai municipal government will provide more financial services, stronger intellectual property protection, and greater convenience for foreign experts working and living in the city. Li Meng, Vice Minister of Science and Technology, said Shanghai plays a key role in researching strategic fields that are crucial for the nation's socio-economic development, and is a key driver for China's growth into an innovative country. The city houses 45 State Key Laboratories, ranging from information technology and artificial intelligence to advanced manufacturing, he said. Li added that the Ministry will support the city to play a bigger role in brain sciences, quantum communication, quantum computing and other major research initiatives. Shanghai is also becoming an international technology transfer and trading center, he added. Since the launch of the city's Global Tech-Mall in June last year, the platform has attracted over 14 million patents, more than 4,000 registered technology companies, and a planned investment of CNY16.9 billion, the China Daily reports.

China to set up new logistics conglomerate

China will establish a new logistics conglomerate this year to better facilitate its foreign trade and supply-side structural reform. **The new group will be formed by** a

number of subsidiaries from logistics businesses owned by Beijing-based **China Chengtong Holdings Group**, a state-owned asset management company, **and China Railway Materials Group Corp (CRM)**, which is also supervised by China Chengtong on behalf of the State-owned Assets Supervision and Administration Commission (SASAC). "We will promote the orderly reorganization and integration of our logistics sector, synergizing China's high-quality resources to build a comprehensive logistics group with complete business, wide coverage and strong competitiveness," said Shan Zhongli, Board Director of China Chengtong. SASAC owns 66.67% of the new group, with the rest owned by China Chengtong and China Reform Holdings Corp. Managing CNY660 billion of state funds, China Chengtong also operates over CNY70 billion of equity of listed companies, and remains a major shareholder of several central SOEs such as National Petroleum and Natural Gas Pipe Network Group Co.

Addressing a news conference in Beijing, Shan said the group's subsidiaries, including Beijing-based CMST Development Co, China Logistics Co and Shanghai-based CTS International Logistics Corp, have built logistics networks covering China, Europe, North America and Southeast Asia, and operate storage facilities and railroads in many parts of the world. Together with CRM's businesses in railway equipment and construction, logistics and oil businesses at home and abroad, the new group will be a formidable force to help develop China's modern circulation system, he added. Based in Beijing, CRM has more than 100 branches in China, the United States, Australia, Laos and other countries and regions. It is a major supplier of railway oil and provides railroad maintenance and logistics services domestically.

China Chengtong took part in the reorganization and integration of key industries such as oil and gas pipeline networks, steel, electrical equipment and modern logistics, as well as in the diversification of equity of SOEs, such as Liaoning-based steelmakers Ansteel Group and Ben Gang Group Corp. China Chengtong also became a shareholder of newly formed China Electrical Equipment Group Co.

Liu Xingguo, Researcher at the China Enterprise Confederation, said that the strategic reorganization of central SOEs will accelerate the development of world-class enterprises with global competitiveness and help maintain the stability of industrial and supply chains. China's 96 SOEs administered by the central government saw their profits soar 72.9% year-on-year to CNY2.08 trillion in the first eight months, while their revenue surged 23.3% on a yearly basis to CNY26.62 trillion, said the Ministry of Finance, as reported by the China Daily.

ANNOUNCEMENT

5th China (Shenzhen) Innovation & Entrepreneurship International Competition – Netherlands Division

After two years' efforts, the **5th China (Shenzhen) Innovation and Entrepreneurship International Competition is kicking off in The Netherlands!**

The competition has officially launched on September 1st, 2021 and is hosted in the form of "online + offline" events among 9 countries. The total prize money is up to about 10.71 Million RMB (around **€1.39 million**), while a single player may have a chance to win up to 1.35 Million RMB (around **€170,000**).

In the past three years, among the 350 projects that participated in the final finals, 120 projects reached preliminary co-operation intentions with various science parks in Shenzhen. As of today, more than 40 projects have officially settled in Shenzhen.

The benefits for the foreign participants are:

1) gain the substantial **bonus** of this International Game, with which they are not obliged to relocate in Shenzhen;

2) gain exposure to well-known investment institutions, all participating projects can gain investment opportunities of social capital through the investment docking service platform of the competition.

3) have a firsthand experience with Shen Zhen and China, qualified teams can **match make** with the local partners and connect to Shenzhen's incubators and science parks which could be their potential hosts.

4) **see where the companies stand in the international scene**. With projects from 9 divisions around the globe, foreign companies can also get a better understanding or their business in the cutting-edge market and gain inspiration and resources from it.

For this year's competition, projects of 7 industrial categories can join us in parallel with the reward competition:

Industrial Competition: New Generation IT; Digital Fashion; High-end Equipment Manufacturing; Green and Low-carbon; New Material; Bio Medicine and Health; Marine Economy

Reward Competition: AI Detection; Technology Development of Power Semiconductor Material; R&D and Application Technology of Novel Adsorption Material

The registration is now open and the application **deadline is October 22.**

Contact:

Mr Xiaomeng Li: xiaomeng.li@outpie.com

Mr Mao Xi: fayemao@hotmail.com

Your banner at the FCCC website or newsletter

Companies interested in posting a banner/an advertisement on the FCCC website or FCCC weekly newsletter are kindly invited to contact the FCCC at: info@flanders-china.be

Organisation and founding members of the Flanders- China Chamber of Commerce

Chairman
Mr. Kurt Vandeputte, Senior Vice President Government Affairs, NV UMICORE SA

Vice-Chairmen
Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA

Secretary and Treasurer
Wim Eraly, Head of Corporate and Transaction Banking, NV KBC Bank SA

Executive Director
Ms. Gwenn Sonck

Members of the Board of Directors and Founding Members:
Mr. Kurt Vandeputte, Senior Vice President Government Affairs, NV UMICORE SA
Mr. Filip Coremans, Managing Director Asia, NV AGEAS SA
Mr. Carl Peeters, Chief Financial Officer, NV AHLERS SA
Mr. Filip Pintelon, Senior Vice President, NV BARCO SA
Mr. Philip Eyskens, General Counsel, Senior Vice President Legal IP GRC, NV BEKAERT SA
Mr. Philip Hermans, Managing Director Activity Line Dredging, NV DEME SA
Mr. Wim Eraly, Head of Corporate and Transaction Banking, KBC Bank SA
Mr. Johan Verstraete, Vice President Weaving Machines, NV PICANOL SA
Mr. Luc Delagaye, Member of the Executive Committee, NV AGFA-GEVAERT SA

Membership rates for 2021 (excl. VAT)

- SMEs: €435 (excl. 21% VAT)
- Large enterprises: €1,080 (excl. 21% VAT)

Contact

Flanders-China Chamber of Commerce
Office: Ajuinlei 1, B-9000 Gent, Belgium
New telephone and fax numbers:
T ++32/9/269.52.46
F ++32/9/269.52.99
E info@flanders-china.be
W www.flanders-china.be

Share your story

To send your input for publication in a future newsletter mail to: info@flanders-china.be
The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com

Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.

FCCC FOUNDING MEMBERS

FCCC STRUCTURAL PARTNERS

IN COOPERATION WITH