China Business Weekly

19 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: Update on Belgian social security scheme and exemption; New VAT rules for e-commerce since July 1 – 20 October 2021, 10h00-11h00

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment & Trade, is organizing a webinar discussing the new VAT rules for e-commerce businesses that have been in place since 1 July 2021 and Belgium's social security scheme. These issues are of particular importance for Chinese companies operating in Belgium. This webinar will take place on October 20, 2021 at 10h00.

These subjects are presented by Mr. Jan Van Moorsel, Partner, Indirect Tax, EY, and Ms. Kathleen Engelen, Senior Manager, People Advisory, EY.

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

10h05-10h30: The new VAT rules for e-commerce since July 1 by **Mr. Jan Van Moorsel**, Partner, EY;

10h30-10h55: Update on Belgium's social security scheme and exemptions by **Ms. Katleen Engelen**, Senior Manager, EY;

10h55-11h00: Q&A Session.

Practical information:

Date: 20 October 2021

Location: Online

Price members: Free; **Price non members:** Free

SUBSCRIBE HERE

Webinar: How to secure your Chinese contract while the borders are closed 26 October 2021, 10h00-11h00

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment & Trade, is organizing a webinar on China's reforms to promote the use of digital technology in contracts. Topics covered will include digital contracting, e-signatures/e-chops, and electronic evidence, as well as the development of judicial practice in response to these reforms. The webinar will also discuss debt recovery following breaches of contract. The featured speaker is Mr. Philippe Snel, Partner, Da Wo Law Firm.

This webinar will take place on **October 26**, 2021 at **10h00**.

Program:

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

10h05-10h50: Talk on China's reforms to enable digital solutions in contracts and debt recovery for breaches of contract by **Mr. Philippe Snel**, Partner, Da Wo Law Firm;

10h50-11h00: Q&A Session.

Practical information:

Date and time: October 26, 2021, 10h00-11h00

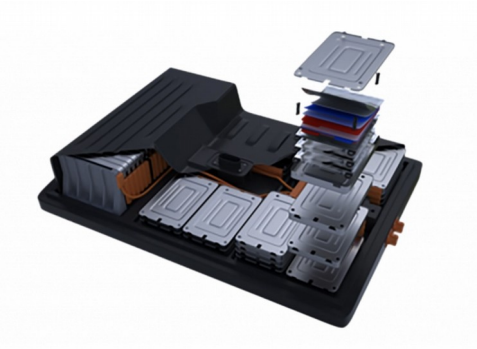
Location: Online

Price for members: Free

SUBSCRIBE HERE

MEMBERS' NEWS

Umicore signs long-term sustainable lithium contract with Ganfeng and Vulcan



Umicore announced on October 15 the signing of long-term lithium supply agreements with Ganfeng Lithium Co., Ltd. and Vulcan Energy Resources. Both contracts have an initial duration of five years and can be extended upon mutual agreement.

Lithium is a critical raw material for the production of cathode materials used in lithium-ion batteries for electric vehicles. With the transitioning to electromobility accelerating in key regions, these long-term agreements will provide Umicore with additional sustainable and regional supply of this key raw material to meet the growing demand for cathode materials of its global automotive customers.

With these agreements Umicore also reconfirms its strong commitment to support the global growth of its customers through the creation of a sustainable battery materials value chain. Each supplier has been assessed as fully compliant against the environmental and human rights principles outlined in Umicore's Sustainable Procurement Charter. The suppliers' carbon footprint was also an important consideration for Umicore, which itself aims to achieve net zero greenhouse gases (scope 1 & 2) by 2035.

Mathias Miedreich, CEO of Umicore said: *"In light of the accelerating transition to electromobility it is crucial to secure reliable supply of critical raw materials, that is also environmentally and socially responsible. These long-term supply agreements mark another important step in Umicore's sustainable procurement strategy and demonstrate our strong commitment to support the growth of our global customers through the creation of sustainable and regional battery materials value chains."*

The agreement with **Ganfeng Lithium Co. Ltd**, based in Jiangxi – China, concerns the supply of lithium as of 2022 and will cover a significant part of Umicore's future lithium requirements in Asia. The lithium is mined from hard-rock deposits in Australia under the strictest sustainability standards.

"We are looking forward to our future cooperation with Umicore," added Mr. Wang Xiaoshen, the Vice chairman of Ganfeng Lithium Co., Ltd. *"We believe our sustainable and high-quality lithium products will be helpful for the creation of Umicore's sustainable value chain."*

The agreement with **Vulcan Energy Resources**, based in Karlsruhe – Germany, will take effect as of 2025. It will cover part of Umicore's future lithium hydroxide needs in Europe, allowing Umicore to purchase between 28,000 and 42,000 tons over the duration of the contract. The supplied lithium hydroxide will be harvested by Vulcan Energy in the framework of its unique Zero Carbon Lithium™ project in Germany, which uses naturally occurring renewable geothermal energy to extract the lithium from a deep brine, emitting zero CO_2 in the process.

Managing Director Francis Wedin commented: *"Umicore, a leading cathode manufacturer and the first in Europe, will be a valuable offtake partner for Vulcan, as a direct consumer of Vulcan's lithium hydroxide products. Importantly, Umicore also shares our ambition to decarbonise the battery supply chain in Europe, by building a carbon neutral cathode plant in Poland. We look forward to a long and fruitful cooperation with Umicore as we progress our ZERO CARBON LITHIUM™ Project."*

FOREIGN TRADE

Chinese exports rose more than expected in September

China's exports rose more than expected in September, despite the lingering fallout of the Covid-19 pandemic, power shortages and price hikes for bulk commodities. The unexpected acceleration showed the strong resilience of the country's export sector and the solid recovery of the economy; however, downward pressure and uncertainty remain for trade and economic growth in the rest of 2021, though a solid growth pace is still expected, experts noted. **In September, China's exports grew 28.1% from the previous year**, up 3.9 percentage points from August, data from the General Administration of Customs (GAC) showed. The growth exceeded a Reuters' forecast of 21%. **However, imports growth slowed significantly to 17.6%** from 33.1% growth in the previous month. Still, China's overall trade rose by a solid 23.3% during the month. Li Kuiwen, an official at the GAC, attributed the sustained growth of foreign trade to the recovery of the Chinese economy. "The long-term fundamentals of China's economy have not changed, and the steady domestic production and demand have provided strong support for the growth of foreign trade," Li said.

In the first three quarters, foreign trade reached USD4.3 trillion, rising 32.8% year-on-year. Exports rose 33%, while imports increased 32.6%. The better-than-expected export data show that there is strong external demand for Chinese products, Cong Yi, Professor at the Tianjin University of Finance and Economics, told the Global Times. "It also shows that foreign countries depend on Chinese products, especially daily necessities, which have low prices and are internationally competitive, and cannot be replaced by those from other countries at the moment," Cong said.

China's exports to the U.S. and EU grew by over 30% year-on-year, and those to Latin America jumped 58%. However, China's total trade grew by 15.2% in the third quarter in yuan terms, slowing from 25.2% in the second quarter and 29.7% in the first. "China's exports are entering a downward trend as a result of easing overseas demand and a slowdown in the substitution effect, but the sector still has resilience at large, and the export slowdown could be managed in a stable manner," Wu Chaoming, Chief Economist at Chasing Securities, told the Global Times. The expected slowdown in trade growth also pushed some analysts to anticipate more downward pressure on China's economic growth. Wu estimated that GDP is likely to grow by about 5.6% in the third quarter, compared with 7.9% in the second quarter. Chinese economists said the slowdown is reasonable given the extraordinarily fast growth in the second half of last year. They added that the full-year GDP growth rate will still be very high, the Global Times reports.

Trade between China and Australia saw a sharp month-on-month decline in September as a result of deteriorating bilateral relations. In September, total bilateral trade reached USD21 billion, a decline of about 12.5% from around USD24 billion in August. The sharp fall in bilateral trade comes as China moved to curb costs caused by skyrocketing prices of iron ore, a major Australian export to China. In September, China's iron ore imports declined 12% year-on-year. China continues to cut steel production and reduce reliance on imported iron ore, especially from Australia.

The International Monetary Fund (IMF) has projected the world economy will grow by 5.9% this year, while China's growth will moderate to 8%, both 0.1 of a percentage point lower than the IMF's July estimates. "The downward revision for 2021 reflects a downgrade for advanced economies – in part due to supply disruptions – and for low-income developing countries, largely due to worsening pandemic dynamics," the IMF said in its quarterly World Economic Outlook. The IMF said China's prospects for 2021 were marked down slightly due to a stronger-than-anticipated scaling back of public investment. The country's growth in 2022 is estimated at 5.6%, which is also 0.1 of a percentage point down from the IMF's July forecast. The U.S. economy is forecast to grow by 6% this year.

The IMF predicted the global economy will grow by 4.9% next year, unchanged from the July forecast. Aggregate output for the advanced economies is expected to regain its pre-pandemic trend in 2022 and exceed it by 0.9% in 2024, while that for the emerging market and developing economies, excluding China, is expected to remain 5.5% below the pre-pandemic forecast in 2024, resulting in a larger setback to improvements in their living standards. While more than 60% of the population in advanced economies is fully vaccinated, and some are now receiving booster shots, about 96% of the population in low-income countries remain unvaccinated. The foremost policy priority is therefore to vaccinate at least 40% of the population in every country by the end of this year, and 70% by mid-2022, according to the IMF. China will strive to provide a total of 2 billion doses of vaccines to the world by the end of this year, President Xi Jinping said via video at the general debate of the 76th session of the United Nations General Assembly on September 21, the China Daily reports.

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

Canton Fair combines online and offline events for the first time

The 130th session of the China Import and Export Fair (Canton Fair) featuring both online and offline activities for the first time, has opened in Guangzhou, capital of Guangdong province. The biannual fair was held only virtually twice in 2020 and once earlier this year due to the disruption of the Covid-19 pandemic. The event aims to draw more global buyers from online platforms to assist export-oriented companies gain new orders, said Chu Shijia, Secretary General of the fair's Organizing Committee. "Going online doesn't mean a simple change of format for the Canton Fair, but a new structural design including digital technologies," said Chu, who is also Director General of the Guangzhou-based China Foreign Trade Center. Since Covid-19 has caused a severe impact on global supply chains and traditional economic and trade activities, **the new economic form of "digital trade" represented by cross-border e-commerce has quickly become a new way to boost trade growth**, he said. China's cross-border e-commerce imports and exports reached CNY1.69 trillion in 2020, up 31.1% year-on-year. Over the past five years, the country's cross-border e-commerce volume has grown by nearly 10 times, data from the Ministry of Commerce (NOFCOM) showed.

President Xi Jinping renewed China's pledge to work with other nations in upholding true multilateralism and promoting the development of a high-level open world economy as he congratulated the opening of the 130th session of the China Import and Export Fair. In a message sent to the Fair, Xi encouraged it to develop itself into a key platform for the nation to promote across-the-board opening-up and high quality growth of international trade, and to connect domestic and international markets. In a keynote speech at the opening of the Fair, Premier Li Keqiang called on nations to uphold openness and cooperation to jointly promote economic recovery. It is important to uphold free trade, enhance policy coordination, bolster the production and supply of bulk commodities and key components, ensure smooth international logistics and safeguard the smooth and steady functioning of global industry and supply chains, Li said.

The accelerated restructuring of the global value chain and the fast growing digital economy will transform the 65-year-old China Import and Export Fair from a goods trade-themed grand event into a comprehensive business platform enriched by trade in services and technologies, experts said. "In the past, China mainly traded in goods. But the nation today has already become a major player in intellectual property rights, with a large number of patent applications," said Sang Baichuan, Dean of the Institute of International Business at the Beijing-based University of International Business and Economics. Trade in services refers to the sale and delivery of intangible services, such as transportation, tourism, telecommunications, research and development, human resources, education, healthcare, construction, advertising, computing and accounting. Advanced services and technologies, all will be displayed in both online channels and offline booths during the fair.

Supported by a sound business environment, the tangible growth of pilot free trade zones (FTZs) and industrial upgrading, as well as a massive domestic market, **the ranking of China's trade in services rose to the 14th position worldwide this year, up from 20th in 2020**, according to the annual "Report on Development Index of Trade in Services in the World (2021)", released by the Chinese Academy of International Trade and Economic Cooperation, a Beijing-based government think tank. China will soon release a plan to grow trade in services during its 14th Five Year Plan period (2021-25). China's trade in services surged 9.4% on a yearly basis to CNY3.27 trillion in the first eight months, said the Ministry of Commerce.

Measures to resume offline exhibitions will stimulate the enthusiasm of domestic consumers and encourage Chinese manufacturers to further solidify growth points in the home market, said Vice Minister of Commerce Ren Hongbin. Apart from the 60,000 online exhibition booths for 26,000 domestic and international exhibitors, the Fair has an offline exhibition area of 400,000 square meters and covers 16 categories of products. With China increasingly bringing the Covid-19 pandemic under control, the recovery of its convention and exhibition business segment has helped the Canton Fair resume offline exhibitions this month, said Bai Ming, Deputy Director of the International Market Research Department at the Chinese Academy of International Trade and Economic Cooperation in Beijing. "Eager to restore their earnings, companies from all sectors are hoping to communicate with their clients face-to-face and gain more market share via trade fairs and other commercial platforms," Bai said. He added that the integration of online and offline exhibitions at the Canton Fair is also in line with the trend of the diversification of international trade methods and digital transformation in many sectors. "In the past, offline exhibitions focused on large-volume purchases in shipping containers. It was difficult to take into account the individual needs of smaller buyers. Online exhibitions nowadays can break through the limitations of time and space, meeting many businesses needs for small-volume, multi-variety and personalized products at a lower cost," Bai added.

RETAIL

Short videos, live-streaming redefine China's retail

In traditional commerce, businesses and consumers focus on the products and the shop is just a go-between. Today, some merchants prefer **a decoupling from the products they sell and a focus on imparting experiences**. Liu, 35, is a vlogger on Douyin, China's leading short video app, where he shares life lessons through a series of two-minute video clips to the younger generation, or the "between 18 and 28 years old". But he has an ambitious plan: when the current 30,000 followers grow to a size of 50,000 and beyond, Liu will consider introducing necklaces, earrings and other jewelry items featuring Chinese characteristics that he designs, manufactures (in partnership with an original equipment manufacturer) and sells. "Of course, I"ll do that in a very subtle way at the beginning, such as by wearing them as I record the videos but without elaborating," said Liu, a former marketer working for several Chinese internet companies. "Perhaps, the followers will notice and they may ask questions about the accessories." Liu's choice of "detour" shows a new way of doing business: **selling your persona before selling your brand.**

Enriching media forms from short videos to live-streaming are rewriting the retail playbook in China. Merchants are elbowing their way to capture people's significantly shortened attention span, and that's when emotional connection kicks in. "We are witnessing a shift from rack-based shopping to discovery-based shopping, and eventually to trust-based shopping," said Jason Yu, General Manager of consultancy Kantar Worldpanel China. **"I choose to buy something not necessarily because of the products per se, but because of the person selling it."** This retail "new normal" can be traced back to the early days of live-streaming, a real-time interaction between customers and store owners, facilitated by smartphones and high-speed internet connections.

When Taobao, China's top e-commerce site, introduced live-streaming five years ago, it took off and turned into something of a must for businesses aspiring to reach a younger generation of consumers. **Taobao Live** is the brainchild of Zhao Lidong, who oversees product development and content commercialization at Taobao Live. She believes new media forms will offer sellers and influencers a more personal, straightforward way to engage with their audiences. "I think it comes down to the available supply and the shopping habits of Chinese consumers today," she told Alizila, Alibaba's news site. "In China, people are used to consuming hours of content on their smartphones. They embrace innovative tools."

Today, the platform **has groomed a handful of influencers, better known as "hosts"** in the online shopping lexicon, including household names Austin Li and Viya. Many admit to buying for the sake of supporting their beloved hosts. "Since the height of the Covid-19 pandemic, I've formed a habit of watching Viya's live-streaming session every night and see what I can buy," said Liu Min, a sophomore student in Shanghai who has spent over CNY10,000 through live-streaming since last year. "Of course, her deals are good. But she's more like a big sister, taking care of our daily needs." The model is now embraced by a growing number of players, who adapt to, and make variations on this **influencer-driven shopping** in a bid to keep abreast of varying consumer interests. Short-video site Douyin is seen by many industry observers as giving mature e-commerce players a run for their money. By ramping up its e-commerce initiatives since last year, Douyin's gross merchandise volume (GMV) topped USD77 billion in 2020, more than three times that of 2019.

In March, the company unveiled flagship stores for brands, on top of its existing Douyin stores, where anyone, notably influencers, can apply and multiple brands can be sold. On Douyin's platform, key opinion leaders (KOLs) appearing in tens of thousands of live-streaming sessions, turn into perhaps the most persuasive salespeople. China's live-streaming e-commerce market reached CNY961 billion in 2020, a jump of 121.5% from the previous year, according to iiMedia Research. The sector is on a steady upward trajectory to reach CNY1.2 billion this year. Traditional e-commerce sites and apps like Taobao are scrambling to catch up. The Taobao Live button now has a prominent place on the front page of the app, making it much more accessible to users. During the November 11 shopping festival, 1,000 items in eight categories will be promoted by influencers through short videos, live-streaming, and other integrated marketing campaigns, said Cheng Daofang, who leads the Taobao Live unit. He expected these short videos to be viewed 2 billion times.

Besides the KOLs, **there are now key opinion consumers (KOCs) who specialize in product reviews** for a smaller group of followers. "KOCs make eminent sense to retailers due to their higher perceived reliability and trustworthiness," said Jennifer Ye, Partner and China consumer markets leader at consultancy PwC. "To appeal to younger consumers in China, it is critical for brands to find KOCs that embody the right brand values, and who can reliably connect with target audiences through user-generated content," said Ye, citing the example of Chanel partnering with a local media company to establish a network of micro-influencers, the China Daily reports.

CHINA NEWS ROUND-UP

Seven new Covid-19 cases in tour group as China is on alert for outbreaks in winter

Seven elderly people in a cross-provincial tour group tested positive for Covid-19. The group, which departed from Shanghai, traveled to Gansu, Inner Mongolia and Shaanxi. Local governments have scrambled to track down their close contacts. The Xi'an government announced that it will carry out city-wide testing. The first two cases discovered in Shaanxi involve a couple from Shanghai that left the city by airplane for Zhangye in Gansu province, switching planes in Xi'an on October 9. Between October 9 and 15, they took a road trip in Gansu and Inner Mongolia. The seven patients are all in their 60s and 70s, and they all departed together from Shanghai and traveled together in a group. There was also another confirmed infection in Yinchuan in Ningxia, a close contact of the Shanghai couple. An epidemiological survey is under way to determine how the Shanghai couple was infected.

One asymptomatic case was also reported in Urumqi, capital of Xinjiang, where the whole city was immediately tested and a second round of testing was launched, indicating that China was not abandoning its zero Covid policy.

Many places in China are enhancing anti-epidemic measures and accelerating the rollout of Covid-19 booster shots in face of increasing outbreak risk as winter sets in, bringing about a cold environment more suitable for virus survival and transmission. However, the probability of cluster outbreaks is low, experts said, while calling on personnel at ports and medical institutes to be extremely cautious.

Facing reports of new cases across the country, Wang Guangfa, a respiratory expert at Peking University's First Hospital, warned that strict anti-epidemic management should be maintained at ports, medical institutes and among the transient population. Timely epidemiological investigation is also needed to prevent virus transmission, he noted. Wang tried to ease public concerns by saying that, despite the low probability of clustered infections, in general, this winter will be stable for China as, on the one hand, China has built a system to deal with outbreaks, and on the other hand, infection rates overseas are easing due to growing vaccination rates. But he also warned of epidemic resurgence overseas despite high vaccination due to virus mutations that may affect vaccine effectiveness, noting the importance of strict anti-epidemic measures. More than 2.23 billion vaccine shots have been administered in China, and nearly a dozen places across the country are already rolling out booster shots.

Tight chip supplies disrupt Foxconn's production

Several factories of Foxconn, Apple's major original equipment manufacturer (OEM) in the Chinese mainland, **have abruptly suspended most recruiting efforts as production lines are disrupted by tight supplies** of chips and other raw materials, which could affect shipments of the new iPhone 13 series, industry insiders said. The persistent chip shortage faced by the technology industry is affecting the production of some of Apple's new products. Due to the shortage, Apple expects to cut the production of the iPhone 13 series in 2021 by as much as 10 million units. Some assembly lines have been dismantled because there were inadequate raw materials, and temporary workers on certain assembly lines are no longer needed, a recruitment manager with Foxconn based in Guangdong province confirmed. “Now the one-time bonus for workers is CNY5,100, but it was CNY8,000 to CNY9,000 just before the National Day holiday,” the manager said. Bonuses were cut because there were fewer orders, as foreign raw materials cannot be shipped, which in turn reduces the shipments of Apple products.

This came after months-long mass recruitment campaigns by Foxconn with several rounds of bonus raises to draw as many workers as possible ahead of the launch of the iPhone 13 in September, industry insiders told the Global Times. Ma Jihua, a veteran industry analyst, told the Global Times that “the annual plans of many manufacturers have been disrupted, and there's no guarantee that the orders would be fulfilled”. It is not that iPhone 13s cannot be sold, but Apple is facing hurdles in production and transportation, Ma said. A market study by Tianfeng Securities predicted that the first batch of iPhone 13 series orders will reach 90 million units in 2021, higher than the 80 million iPhone 12 series in the same period last year.

While the supply chain is difficult to improve because it is a systemic problem, Luffy Lin, Chief Analyst at Witdisplay, an electronics device consulting platform, told the Global Times that Apple has at least three months of inventory on hand, and it is controlling the pace of shipments so that it can always ship a certain volume every month, the Global Times reports.

China to provide greater policy support to young entrepreneurs

China will provide greater policy support for college students pursuing careers in innovation and entrepreneurship, according to a new government guideline. It describes college students as a vibrant force in

various fields, but points to issues hindering innovation and entrepreneurship such as a lack of experience, difficulties in securing financing and the lack of services to help students with their businesses. Colleges are tasked with placing greater emphasis on teaching entrepreneurship and innovation and they should hire more qualified external professionals to serve as mentors. Authorities are tasked with creating a more favorable environment for start-ups and innovative projects, while government-funded incubators should reserve 30% of their space for rent-free use by college entrepreneurs. The guideline also stressed the importance of improving financial support by exploring new funding channels and introducing favorable financial policies.

Small and micro-sized businesses founded by graduates can apply for up to CNY3 million in low-interest loans. The guideline further stresses enhanced protection of intellectual property rights, and also noted the expansion of the annual China International College Students' "Internet Plus" Innovation and Entrepreneurship Competition, which aims to boost entrepreneurship and innovation among college students. The finals of the seventh competition were held at Nanchang University in Jiangxi province. A total of 9.56 million students from 4,347 universities in 121 countries and regions signed up for this year's competition, up by 51% from last year, according to the Ministry of Education.The number of foreign students participating in the competition reached 15,611 this year, up 74% year-on-year, said Wu Yan, Director of the Ministry's Department of Higher Education. They include students from world-renowned universities such as Harvard, Oxford and Cambridge, he said. Due to the Covid-19 pandemic, foreign students participated via video link.

With the increase in its scale, this year's competition has increased the number of projects for the finals from 1,600 last year to 3,500 this year, while the number of gold medals was raised from 158 last year to 320 this year. The competition has been held every year since 2015. Universities in China have opened more than 30,000 courses on innovation and entrepreneurship. They have also employed almost 35,000 full-time and 139,000 part-time teachers to assist students' efforts in innovation and entrepreneurship, the China Daily reports.

China to set up a Global Innovation and Knowledge Center for Sustainable Transport

Chinese President Xi Jinping announced that China will establish a Global Innovation and Knowledge Center for Sustainable Transport and develop a green and digital Belt and Road Initiative at a faster pace, as part of the country's broad contributions to the development of global sustainable transport. Xi made the announcement while addressing the opening ceremony of the **UN Global Sustainable Transport Conference**, which kicked off in Beijing and online on October 14. In his speech, Xi highlighted major changes and serious challenges caused by the Covid-19 pandemic to the global economy and people's lives and called for global cooperation in addressing issues in the transport sector. The conference aims to advance sustainable transport globally and is important to achieve the UN 2030 Agenda for Sustainable Development.

Inefficient operations at U.S. ports have caused steep increases in shipping costs between China and the U.S. over recent months, as empty shipping containers did not make their way back to China fast enough. Sustainable transport also covers green energy promotion through technological innovation as many countries have set targets for tackling climate change. "It has become urgent to achieve safe, green, efficient, affordable and sustainable transport globally, and further measures must be taken to realize the transition to a sustainable transport model as soon as possible," said Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation. By 2035, pure electric vehicles (EVs) are likely to become mainstream in China, now the world's largest NEV market, while those used in public transportation will be exclusively electrified, according to a development plan for the NEV industry for 2021-2035. The annual energy saved by green initiatives, including green cities and highways, has exceeded 630,000 tons of coal equivalent.

China leads the world in technology for railways that operate at high altitudes and in extremely low temperatures, and it is a global player in high-speed and heavy-haul railways, according to a white paper on China's sustainable transport development released last December. China will shift focus from speed and scale to quality and efficiency, from independent initiatives to integrated multimodal development, and from traditional drivers to innovative forces, said the White Paper, as reported by the Global Times.

Shanghai launches International Biopharma Industry Week

Shanghai launched the inaugural International Biopharma Industry Week from October 11 to 14 as it aims to build a world-class biopharmaceutical industry cluster in the city. The biopharma industry is expected to become a USD1.2 trillion business by 2025 and a key driver of what local authorities call "quality economic growth". The 14th Five Year Plan (2021-25) period is a crucial stage for Shanghai to build a world-class biopharma industrial cluster, Mayor Gong Zheng said in addressing the opening ceremony. He called for advanced planning, a favorable system and policy support along with deepened resource integration to launch Shanghai to the forefront of the global biopharma industry. Through some 20 events, the Industry Week brought together global pharmaceutical firms, domestic start-ups, investment institutions and research entities to discuss the latest industry trends and opportunities for investment and cooperation. German pharmaceutical company **Boehringer Ingelheim pledged to be a co-building partner of the cluster** by adopting the contract development manufacturing model, a common way to outsource drug development and manufacturing.

"A healthy contract development manufacturing organization (CDMO) can help multinational pharma companies manufacture innovative medicines on a local

basis, which will bring enormous benefits in terms of accessibility and affordability for Chinese patients," Felix Gutsche, President and CEO of Boehringer Ingelheim China, said in a keynote speech. The key to building a leading industry cluster lies in originality and innovation, said Li Jia, Dean of the Shanghai Institute of Materia Medica at the Chinese Academy of Sciences (CAS). Laekna Therapeutics, a startup focusing on developing therapies to treat cancer and liver diseases, is expected to submit its first new drug application in the near future in both China and the United States, said Chris Lu, Laekna's Founder and CEO. "We've already noticed this policy shift from 'license-in' and repeated development to favoring indigenous innovation and R&D capabilities," said Lu, who had been engaged in the Chinese and U.S. biopharma markets before starting the business in Shanghai. "We are aiming for first-in-class and best-in-class drugs." Lu said he is heartened to be able to attend such a high-profile conference at home without the hassle of long distance travel.

Shanghai is now home to 18 of the top 20 global pharmaceutical companies and 17 of the top 20 medical equipment companies. They have flocked to Shanghai to set up their China headquarters, R&D centers or manufacturing bases, according to the Shanghai Municipal Commission of Economy and Informatization. To become a top biopharma hub, it is crucial to have this "cluster and density of customers and solution providers", said Thomas Herget, Director of China and Silicon Valley Innovation Hubs at Merck, which opened its Merck Shanghai Innovation Base last week. Shanghai's biopharma market size reached CNY350 billion in the first half, up 22.8% year-on-year, the China Daily reports.

Chip shortages dragging car production down in China

Chip shortages are continuing to hurt car production in China. As a result, the China Association of Automobile Manufacturers (CAAM) said total deliveries for 2021 may fall short of its estimate made earlier in the year. **Manufacturers produced 2.08 million vehicles last month, down 17.9% from the same month last year.** Sales saw a deeper decline of 19.6% year-on-year, with just 2.07 million vehicles sold in the country. Chen Shihua, Deputy Secretary General of the Association, said supplies of car chips were higher in September than in previous months, but still fell short of demand. The shortages, coupled with a higher comparative base last year, resulted in production and sales slumps last month, he said. Chen said power shortages in some parts of the country are also affecting production. "Considering all these factors, sales figures for this year may be lower than expected," he said.

The Association initially estimated that vehicle deliveries could exceed 26 million units, up 4% from 2020. In the first three quarters, sales totaled 18.62 million, up 8.7% from the same period last year. But Xu Haidong, Deputy Chief Engineer of the Association, said sales in the fourth quarter are very likely to fall year-on-year because the figure was high in the same period last year.

Japanese automakers Honda, Nissan and Toyota saw their sales in China tumble in September. Honda sold 121,448 vehicles, down 28% from a year earlier due to the Covid-19 pandemic and a shortage of components. Nissan said it sold 104,443 cars, down 26%, due to "external headwinds including the ongoing pandemic, cross-industry material shortages, slowdowns, and increased competition." Toyota said it sold 115,000 cars, down 36%. General Motors did not disclose monthly figures, but its sales in China during the third-quarter stood at 623,500 vehicles, down 19.2% from the same period in 2020. A breakdown of its sales show that four of the five brands available in China saw precipitous drops in their third quarter sales compared with the same quarter in 2020.

China's largest SUV and pickup maker Great Wall Motors sold 100,022 vehicles in September, down 15.4% from the same month last year. The sweeping chip shortages have affected production, but the Baoding-based carmaker in Hebei province said it has been trying its best to acquire semiconductors. **Geely, China's largest private carmaker, delivered 103,936 vehicles last month, down 18% year-on-year.** It cited Covid-19 and chip shortages as factors that curbed its production and deliveries. The carmaker has over 100,000 vehicles on its order book, according to company CEO Gan Jiayue. As in previous months, new energy vehicles, which include electric cars and plug-in hybrids, continued their momentum in September. Production and sales reached 353,000 and 357,000 units, respectively, a year-on-year growth of 150% according to CAAM. Production and sales in September both set new monthly records. NEV sales made up 17.3% of total vehicle deliveries last month. In the segment of passenger vehicles, their proportion was even higher, at 19.5%, the China Daily reports.

A dozen centrally administered state-owned enterprises (SOEs) in various industries have set up a platform for making breakthroughs in auto technologies that are vulnerable to external risks. The SOEs established **the innovation platform for automotive digital transformation in Tianjin**, under the guidance of the State-owned Assets Supervision and Administration Commission (SASAC). An official from SASAC said that by 2025, the platform will push the auto sector to make breakthroughs in leading-edge technologies, solving technology bottlenecks across the industry. The 12 SOEs include telecom carrier China Telecom, the China Automotive Technology and Research Center, carmaker FAW Group and China South Industries Group, the Global Times adds.

China's GDP up 9.8% in first three quarters, but growth slowing

China's GDP grew by 9.8% year-on-year in the first three quarters, though economic growth in the third quarter slowed to a one-year low of 4.9% amid unexpected economic challenges, including a power crunch and coronavirus resurgence, but is still within the reasonable growth range, experts said. The country's economy expanded 4.9% both on a one-year and two-year basis in the third quarter, according to the National Bureau of Statistics (NBS). In the first three quarters, China's GDP grew by 9.8% year-on-year and 5.2% on a two-year basis

to hit a total of CNY82.31 trillion. The quarterly growth slowed down from the 18.3% growth in the first quarter and 7.9% in the second quarter, and is also slightly below market expectations of 5% in the third quarter. Commenting on China's Q3 GDP growth, NBS Spokesperson Fu Linghui said that China's economy is continuing to recover."

Paras Anand, Chief Investment Officer, Asia Pacific, at Fidelity International stressed that "the only surprise in China's published GDP figures is that they have not come in lower," indicating that China's GDP growth is not way beyond market expectation, considering the wave of monetary, fiscal and regulatory tightening in China. In comparison, Vietnam's GDP shrank 6.17% in the third quarter, while the U.S. economy only grew at 1.6% in the second quarter. China's consumption also picked up with a year-on-year growth rate of 4.4% in retail sales in September, up 1.9 percentage points compared with August. But China's industrial production rose by 3.1% in September from one year earlier, down from 5.3% growth in the previous month. Meanwhile, the growth in China's fixed-assets investment (FAI) also slowed 1.6 percentage points in the first three quarters compared with the first eight months.

"Currently, the biggest challenge comes from the investment sector, as market expectations for the property market are trending down as a result of banks' tightening of home loan requirements as well as the Evergrande debt crisis," said Wu Chaoming, Chief Economist at Chasing Securities. Experts noted that short-term negative factors such as the power crunch would likely ease in the fourth quarter with the recently launched power pricing reforms. Furthermore, Q4 consumption would also likely rebound from Q3. With the negative influences easing, **China's GDP growth in the fourth quarter might hit between 2.5% and 3%, sending economic growth for the whole year to 8%**, which is higher than the government's target. Economists also said that the Chinese government might make some policy changes in the face of the growth slowdown, such as launching special local government bonds ahead of schedule, the Global Times reports.

China leader in B2B applications of 5G

There are 10,000 projects exploring business-to-business (B2B) applications of 5G (5GtoB) around the world, more than half them in China, rotating Chairman Ken Hu of Huawei said, calling for the industry to focus on XR, the B2B market and low-carbon development in the 5G era. Hu made the remarks at Huawei's 12th annual Global Mobile Broadband Forum (MBBF) in Dubai. It is Huawei's ambition to further lead the mobile industry amid a U.S. crackdown, industry analysts told the Global Times. "In just five years of commercial deployment, 5G has provided a considerable upgrade in mobile experience for consumers, and it is already starting to empower different industries around the globe. Progress was much faster than we expected," Hu said in a keynote speech at the forum.

There are 176 commercial 5G networks around the globe, serving more than 500 million subscribers. In the consumer space, average 5G download speeds are roughly 10 times faster than 4G, which has fueled broader adoption of applications like virtual reality and 360º broadcasting. 5G applications in industries such as manufacturing, mining, and ports have already passed trials and are being replicated at scale. While progress has been steady, Hu noted that there are still some areas for improvement. "Right now, more than half of these 10,000 5GtoB projects are in China. We have a huge number of use cases already, but we need to build more sustainable business cases." Hu outlined three areas of opportunity that will drive the next stage of 5G growth, including XR services, the B2B market, and low-carbon development. Hu called on the ICT Industry to work together on the next stage of 5G development. The firm has been facing a severe U.S. crackdown for years, which has strangled its revenue-making businesses such as smartphones, and forced it to move to other sectors that could take advantage of its 5G capabilities and empower the digital transformation of industries. Following a unit for technologies in coal mining that was established earlier this year, the company has expanded its footprint into four new areas – customs and ports, smart highways, data centers and solar energy. Huawei's 5G technology is still at least one to two years ahead of its rivals, but it also has to expand channels to make money that could allow it to maintain that lead amid the U.S.' crackdown, Xiang Ligang, Director General of the Beijing-based Information Consumption Alliance, told the Global Times.

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

FCCC FOUNDING MEMBERS

FCCC STRUCTURAL PARTNERS

IN COOPERATION WITH