China Business Weekly

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

FCCC/EUCBA ACTIVITIES

Webinar: China's Economy: Old Challenges Make New Headwinds
16 November 2021, 10h00-11h00

The Flanders-China Chamber of Commerce has the pleasure to invite you to a seminar focused on **China: Old Challenges Make New Headwinds.** Hans Dewachter, Chief Economist, KBC Group, will shine his light on the matter.

China's structural economic slowdown has been ongoing for a decade, and the same challenges have been brewing under the surface since the post-GFC period. These challenges include demographic changes, a very high savings rate, an over-reliance on credit-intensive growth, and a corresponding buildup of leverage in the economy, particularly related to the real estate sector. Deleveraging has been on the agenda for several years given growing concerns that China's economic model is unsustainable and could end in a so-called "hard landing" of the economy if not a crisis. Progress in deleveraging has been slow, however, and in the post-pandemic recovery period, the above-mentioned headwinds appear to be gaining force and are accompanied by other challenges related to the climate transition. What do these developments mean for China's macroeconomic outlook? Is the current slowdown a cyclical blip, or something more sustained and potentially more worrisome?

This webinar will take place on **November 16**, 2021 at **10h00**.

Program:

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

10h05-10h50: Speech on the macro-economic prospects in China by Mr. Hans Dewachter, Chief Economist, KBC Group;

10h50-11h00: Q&A Session.

Practical information:

Date and time: November 16, 2021, 10h00-11h00

Location: Online

Price for members: Free

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ACTIVITIES SUPPORTED BY FCCC

2021 Weihai Cooperation and Communication (Shanghai) Promotion Conference
4 November 2021, 15:00-18:00 – Shanghai

The 2021 Weihai Cooperation and Communication (Shanghai) Promotion Conference, sponsored by the Weihai Municipal People's Government, will be held on 4 November 2021 from 15:00 to 18:00 at the PwC Shanghai Innovation Center in Shanghai. The theme of the conference is **"A Fine Weihai, An Embrace of the World: Technology, Talent, Opportunity".**

Program:

15:00 – 15:55	Keynote speeches by a leader of the Weihai Municipal People's Government and a well-known personage of industry
15:55 – 16:35	Sharing session on industrial development, talent introduction, experience sharing by Bekaert and HP
16:35 – 17:15	High-level panel discussion on the theme "Brain Gain for New Opportunities in the Digital Era", moderated by Xing Zhou, Managing Partner, PwC China
17:15 – 18:00	Buffet reception tasting Rushan oysters (typical Weihai seafood) and introduction of wine culture by a renowned wine taster

Practical information:

Date and time: November 4, 2021, 15h00-18h00

Location: PwC Shanghai Innovation Center, 3/F, Infinitus Tower, 168 Hubin Road, Huangpu District, Shanghai

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PAST EVENTS

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

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment & Trade, organized 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 took place on October 20, 2021.

Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, welcomed the participants to the webinar.

Ms. Katleen Engelen, Senior Manager, EY, presented an update on Belgium's social security scheme and exemptions. There is a distinction between employee and self-employed. An employee works under the authority of an employer with a labor contract and he receives a salary. There is no social security agreement between Belgium and China. Foreign nationals need a single permit or a work permit allowing them to work in Belgium. A self-employed is not bound by an employment contract, but performs a professional activity, generating income, but there is no authority exercised. Directors of a Belgian company are deemed to exercise a professional activity in Belgium and need a professional card. The Chinese contract of a person assigned to Belgium remains in force. If working for a Belgian company or a Belgian branch of a foreign company, there is the possibility of exemption from social security, but you need to inform the Belgian social security authorities. If there is a local contract, the Belgian social security legislation will be applicable with 13.07% employee and 25% employer contributions. This may be a considerable cost, but the employee will be covered by the Belgian scheme and be able to benefit from it. For new employers there is however a favorable social security scheme, paying almost no contributions for their first employee. Employee contributions will need to be deducted. However, there are plans to introduce a salary ceiling. It should be checked if it is possible to continue to pay into the Chinese social security scheme as well.

Directors are under the rebuttable presumption of self-employed activities in Belgium. You need to pay social security contributions, but there is a way around it as often directors are not paid, in which case you can be exempted. That no income is generated should be mentioned in the nomination decision or the by-laws of the company. A professional card is still required even for a non-remunerated mandate, unless the person only comes to Belgium for business activities with their main residence abroad and stays in Belgium for less than three months. Social security contributions are due if gratuitousness in fact and in law cannot be proven. Self-employed social security contributions on a high salary can reach about €16,000 per year.

We are in a very special period with many people stuck at home due to the Covid situation, not being able to go to the office or go on business trips. The authorities have been flexible. It would not matter where you perform the activities, in Belgium or in another country, but this concession will end on 31 December 2021. In the future there will be more hybrid working models, with more flexibility to work from home. This would complicate the international employment situation. Many employers are still struggling how to set up these new hybrid working models. If people move abroad or work from a different location, there are always labor law implications. It will be interesting to see how it will be set up next year.

Mr. Jan Van Moorsel, Indirect Tax Partner, EY, introduced the VAT rules for e-commerce. People working at home means that e-commerce is booming. On July 1 new rules came into force in the EU. **There are key questions you need**

to ask to see if the new rules are relevant to your situation, such as "Do you sell goods to customers in other countries via your website?" If not, the rules are not important to you. "Who are your customers?" If you are only dealing with B2B, those are not important. They only are if you have transactions with final customers. "What is your distribution model?" "Do you work with procurement centers, do you have local stocks?" The types of goods are also important, such as selling excise products like alcohol and tobacco. "Are you arranging the transport of goods to your customer?" If you are not in charge of transport and the customers come to pick up the goods, you are not in a distance selling scheme. "Do you sell your goods online via your own website or via another party such as Alibaba or other platforms?" There are a number of questions that you need to ask yourself to see if the rules are applicable to you.

The European Commission in 2016 formulated a vision to make VAT rules simpler, less fraud sensitive and better adapted to business. One of the proposals was also to simplify the rules for e-commerce resulting in the VAT e-commerce package. Companies selling goods online pay around €8,000 for VAT compliance in every member state they sell. There is a VAT gap, a loss of income for EU member states. For 2020 it was estimated that €7 billion of VAT is lost in the EU due to non-compliance with the VAT requirements for cross-border online sales. EU businesses were facing a competitive disadvantage to non-European businesses who found ways to import goods free from VAT, while EU businesses have a more regular control framework. For the telecom, broadcasting and electronically supplied services (TBE) there were already rules since 2003 requiring non-EU companies to comply with EU VAT requirements through the mini one-stop shop, that is going for a single registration in a single member state and comply with the requirements for the entire EU. It was limited in scope but also a great enabler. The scheme was extended to European businesses in 2015. The VAT Action Plan of April 2016 resulted in the e-commerce VAT proposal of the EU Commission of December 2016, which was adopted in December 2017 and entered into force on 1 July 2021. It was delayed for six months due to Covid. There is a payment service provider (PSP) proposal to close another VAT loophole when goods are not declared at their true commercial value. The EU Commission wants to included the PSPs such as Mastercard into the VAT net and share their data on what is being paid. Those rules will come into force on 1 January 2024.

Comparison of the old vs the new rules:

Old rules	New rules as from 1 July 2021
Only applicable to intra-EU distance sales	Extended to distance sales of goods coming from non-EU territory (such as China)
Every member state had an individual threshold of €35,000 (for Belgium) or €100,000 (for some other member states)	The national thresholds have been abolished. There is one Community threshold of €10,000 in specific conditions. This is not relevant if selling from outside the EU.
Exceeding the threshold (or by option) required an individual VAT registration in the member state of arrival of the goods	An optional one stop shop (OSS) exists for both types of distance sales
No specific requirements for electronic interfaces	Under certain conditions, electronic interfaces are assimilated with a "commissionaire" (buyer/reseller)
Impact of low value goods (below €22) is exempt from VAT	The import exemption is abolished. There are specific regimes for the importation, in particular for shipments with a value of maximum €150.

There are specific rules for intracommunity distance sales, where the supplier is established in the EU. If the threshold of €10,000 is exceeded, every sale is subject to VAT in the member state of arrival of the goods where the supplier needed to have a VAT registration, but this is replaced by the OSS mechanism. The same rules are applicable if you sell from outside the EU but have a fulfillment center in an EU member state but the threshold of €10,000 is not applicable. Distance sales of imported goods means that goods are for example sold from China directly to customers in the EU. Every sale is subject to VAT in the member state of arrival of the goods. IOSS is available for goods with a maximum intrinsic value of €150. Above that value there is no simplification to deal with your VAT compliance, so you need to register in all the member states where you have transactions. The import VAT exemption for low value goods has been abolished and there is a simplified electronic customs declaration.

Electronic interfaces are deemed to have purchased the goods from the underlying supplier and to have sold them to the customer. The platform should facilitate the supplies (e.g. transport or payment) and goods with a maximum value of €150 should come from outside the EU or if they are already in the EU but supplied by a non-EU vendor. Where the platform is established is not relevant. **So as from 1July 2021, there are three systems:** non-EU scheme (MOSS); Union scheme (OSS) and distance sales of imported goods.

Webinar: Experiences and Future Prospects of Ageas in China – 14 October 2021

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment & Trade, organized an exclusive meeting with Mr. Filip Coremans, Managing Director Asia of Ageas and Vice-Chairman of the FCCC. During this meeting, Mr. Coremans shared the experiences and future prospects of Ageas in China. The webinar took place on **October 14**, 2021**.**

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce, welcomed the participants to the webinar.

Mr Filip Coremans, Managing Director Asia, Ageas, started with an overview of the history of the company. Ageas and its predecessors have two centuries of experience. In 1824, AG Life was set up in Belgium. In 1990 it became part of the Belgo-Dutch insurance group Fortis, laying the foundations of the bancassurance model. In 2008 Fortis sold its banking activities and became a pure insurance player, creating the Ageas brand in 2010. Ageas is an international insurer with a local identity. It is a BEL-listed company with 45,000 employees and 39 million customers. It is a Top-20 insurer in Europe with €36 billion gross inflow. Ageas' focus is on Europe and Asia. The company can boost of 20 years of value creation in Asia with four segments of activities with a solid performance.

Since 2001, net investments into Asia amounted to €579 million. The company's contribution to Asia is fast growing with partnerships in nine markets: China, India, Malaysia, Thailand, Vietnam, the Philippines, Singapore, Laos and Cambodia. It is the sixth largest life insurer in China. By 2024, the Asian share of net results is expected to increase to around 50%.

In China, Ageas formed a partnership with the state-owned enterprise China Taiping in 2001. Taiping Life went from a greenfield start in November 2001, with 250 employees, 500 agents and four offices in four cities to more than 19,000 employees, more than 370,000 agents, 1,400 branches and sales offices, and more than 24 million customers today. Since 2016 Taiping Life's premium inflows grew at a CAGR of 11% per annum, while the embedded value (EV) grew at 20% per annum. Ageas has by far the largest presence of foreign insurers in China, with a 24.9% stake in Taiping Life (TPL).

Partnerships are in Ageas' DNA. In all partnerships, Ageas strives to select the right partners; to be seen as a local insurer, not a foreign one; to focus on the strategic, not the tactical rationale; and to build on long term loyalty, not on financial return only. Ageas has governance board participations across Asia. It has two board members and one supervisor at Taiping Life; one board member at Taiping Re; and board memberships at Taiping Asset Management and Taiping Financial Service. Ageas' Group and regional offices act as “knowledge brokers”. The new role of Chief Development and Sustainability Officer at the Management Committee level will drive an enhanced level of knowledge transfer, innovation and synergy creation across the group.

Mr Coremans: We have to work extremely hard to stay effective. Partnerships are increasingly more important. I draw a parallel between partnership management and marriage. The mindset is that the partnership is forever. Some say that is because we are in insurance and therefore look at the long term. But that is not the only reason. It is a mindset of commitment that comes with the duty of care. Most people don't enter into a marriage with a limited time scope in mind. How do you select the right partner? How do you make it work? How do you sustain it after the honeymoon period? In finding the right partner, we focus on four things. In culture and values they do not have to be the same, but they need to be compatible. I highly recommend to study the cultures of the countries you are investing in. Read about religion,

philosophy and history. A minimum investment in cultural training is required. It will dramatically improve communication. We provide this type of training to anyone on a mission to find new partners. Second is a joint obsession, something to get excited about. Third is not to control our partners. We don't focus on control. We want local companies which are responsible and responsive to local market needs. We try to empower, not restrict them. Finally, don't be greedy. Don't make your partner's account and don't focus on the immediate financial return. Both partners should focus on the value added in the long run. Parasitism and coercion will not work. When one partner is vegetating on the other one's efforts it will not last. You need to be an adaptive partner.

Very important in this context is also what I call the prenuptial agreement. You can't avoid having the hard talks up front. It would be wrong to avoid the difficult discussions because they are difficult. I also recommend not to leave it only to lawyers. You need very strong legal advice in this context, but it has to be local. Somebody in the organization needs to take the time to follow up in detail the commercial decisions that need to be taken. You can't do that from the sidelines. Also very important is how to stay attractive to your partner after the honeymoon period. To stay relevant to a partner is hard work. If today we still bank on our original value to our partner we would become irrelevant. This has nothing to do with loyalty. Complacency is a disaster for a relationship. You always need to think how to reinvent yourself, become even better and acquire new skills. Bring new innovations to the table. If both partners think like that the partnership becomes indestructible. At Ageas we set up a structure that is fully focussed on this. We learn from our partners and also leverage their strengths. You can be a teacher and a student at the same time and they will fully appreciate this in China.

You also need to constantly keep your finger on the pulse of the partner. Communication channels have to be wide open. Every year we do an Asia support framework review with all the partners, where we have a dialogue. We work out with them a plan of action of support. It is hard work, but it makes the difference. The dialogue should not only take place at the operational level, but at every level, mirroring the hierarchy of your partner. Communication, hard work and sharing, and reinventing yourself are very important.

In the beginning and the end it's all about people. Our country managers follow developments in their respective countries. Management positions regularly come up for review and should align with the need of the company. Influence is much more effective than control. On management participation, they need to be the best, not those that are immediately available.They are the most visible value that you can add. They should be responsible and accountable to the local leadership and the partnership, the best trusted advisors. In China it is also critically important to keep this in mind.

A Q&A session concluded the webinar.

Webinar: European Business in China Position Paper 2021/2022 – 12 October, 2021

The EU-China Business Association, the European Union Chamber of Commerce in China, and BusinessEurope organized a webinar on the occasion of the launch of the 'European Business in China: Position Paper 2021/2022'. This webinar took place online on **October 12, 2021**. 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.

Ms Gwenn Sonck, Executive Director of the EU-China Business Association, welcomed the participants to the webinar. Normally we organize this as a live seminar when EUCCC members are coming back to the EU to discuss the Position Paper with the European Commissioners and the European Commission, but due to Covid-19 it has become our second year that we have to do this as an online event. Hopefully we can meet live again at the end of next year in

Brussels. Mr Joerg Wuttke is the Chairman of the EUCCC and Vice President and Chief Representative of BASF China in Beijing since 1997. He has lived in China for more than 20 years.

For the full year of 2020 the value of completed European FDI transactions in China reached €9.5 billion, which is a decrease of 21% compared to 2019. For the first two quarters of this year, completed acquisitions and greenfield investments by European companies in China continued to fall. Automotive continued to rank first in the second quarter of 2021, and basic materials and electronics came second and third. One of the largest deals is the ongoing greenfield investment by BASF thanks to the hard work of Mr Wuttke in China. The value of completed Chinese FDI in Europe dropped to USD535 million in the second quarter of 2021 due to the absence of newly announced deals due to the pandemic. Automotive continues to be the top sector for Chinese investment in the EU, followed by health, pharmaceuticals, biotechnology and ICT. One of the big challenges for companies doing business with China is that we still cannot go to China due to the Covid-19 pandemic despite the ongoing vaccinations. During these difficult times the EU-China Business Association acts as an important bridge to promote the economic and trade relations between China and the EU.

Mr Joerg Wuttke said it was sad he could not present the Position Paper in person for a second year and he is not really hopeful about September next year due to travel restrictions given that the zero tolerance policy in China will remain until the Party Congress next year in October or November. China has vaccinated 60% to 70% of the population, although with a vaccine which might be not very good against mutations, but hopefully China will open up faster because the world is reconnecting and China is insular, which is very sad.

The Position Paper is now a more than 400 pages monster in its 20th year and simply doesn't shrink. We now have 930 recommendations – more than ever. You can download the paper from the website of the European Chamber free of charge and you don't need to be a member. The essence of the Paper this year is about self-reliance and China becoming more insular and the economic consequences of this development. China might be punching below its economic weight. Looking at our survey, on the manufacturing side, business was extremely strong. Many companies had record sales in China. The big uncertainty is the energy crunch and the disruption of the supply chain. Until August we were on an incredibly successful ride. European companies are committed to China, there is no intention to leave with just 9% of companies considering it, while 20% of EUCCC members were considering it in 2010, meaning it's less than ever. The market is so important, so big, companies sometimes go through a lot of pain to stay but if you stay you might actually be rewarded. Strong growth prospects are outlined in the Position Paper as we believe that China will account for 20% to 25% of global growth in the next 10 years and in chemicals it is about 60%. In 2030 half of the global market in chemicals will be in China and if you are not in China you will not be a global company.

Why does China have such a growth potential? Because China is still very backward in GDP per capita. The country already now may have the largest GDP in the world, but looking at GDP per capita it is in 86th position between Bosnia and Suriname. There is the claim that China and Europe are the biggest trading partners but it is trading in goods where we are the biggest partner, because China is selling more than two times to Europe of what we are selling into the Chinese economy. Every day China sells €1.1 billion to Europe and we are selling €500 million. China is only the number three market in goods, the U.S. is nearly twice as important and the UK about 20% more important as a market than China. Until four years ago European companies sold more into the Swiss economy than into China. The potential is obvious. In services we sell five times as much into the U.S. economy than into the Chinese one. This shows the closed nature and the potential of the Chinese economy. China is twice as dependent on the European market than we are on the Chinese market. The World Bank looked at the growth of the Chinese economy over the last 30 to 40 years. They put four economies at zero at the date of opening up and then saw how they developed GDP per capita in purchasing power parity terms. First came Japan, then Taiwan and Korea, and China joined in 1978. These four economies in the first 30 years had an identical growth, meaning China was not special. What was special was the size of it. Over the past five years the Japanese and Taiwanese economies are pulling away from China.

Why is that? It is certainly not in our interest having China underperforming. China refuses to globalize more as they promised 20 years ago. China turned inwards. They have good reasons, such as the U.S. sanctions and the insecurity of the supply chains, but this comes at a cost. This includes a decrease in FDI; deceleration of innovation capacity; more challenges for Chinese companies expanding overseas; significant misallocation of resources; reduced access to core technologies; challenges to meet decarbonization goals; and further deterioration of trade and political relations. The borders are closed so that expats cannot come in; we are basically an extinct species. The number of expats in Shanghai, Beijing and Guangzhou put together is less than in Luxembourg, which is unbelievable. This is not very good because diversity brings innovation skills. Shenzhen is by far the most innovative city in China because 60% of the population comes from outside Guangdong. China is producing things it shouldn't be and should rely more on imports. China could easily close the gap in demand for aluminum by importing from Russia. China now has a massive energy crunch and is shutting down industries. China should import more energy-intensive materials.

There is an erosion of China's soft power in Europe and across the world, which makes life more difficult for foreign companies in China because stakeholders are asking why we are doing so many things in China. China managed to become unpopular in a record time from 50% to 60% positive sentiment 20 years ago in the case of Germany to now 75% negative. It is now better for politicians to be tough on China, which means more regulations in Europe and by reciprocity more regulations here. The gap in GDP per capita in different scenarios over the next 25 years between implementing comprehensive reforms and pursuing self-reliance is USD22,000.

National security is driving economic policy there days. China's expanding definition of national security multiplies challenges for European companies. Extensive requirements under the Cybersecurity Law will see some European companies leaving China and even some companies China wants to keep will be forced to leave. Our IT systems might be required to use Chinese hard- and software which might lead companies to have an IT system for China and another one for the rest of the world.

Why should China stay open? Most people underestimate the contributions foreign businesses make to China, They represent 25% of China's growth output; 20% of taxes; 7% of overall employment; and 40% of exports. These figures include Hong Kong and Taiwan.

The Position Paper is written by business for business. Recommendations include:

- Stay away from self-sufficiency and embrace globalization
- Avoid investing in the manufacturing of goods that are already globally available
- Take a proportionate approach to national security and 'CII'
- Continue with market reform and opening
- Build a sound institutional framework
- Avoid politicizing the business environment
- De-escalate sanctions imposed against EU officials and entities
- Rebuild international relationships

Recommendations for the EU:

- Form a coordinated response among all member states to build a robust, united approach to China
- Strengthen European competitiveness by developing a bottom-up industrial policy
- Continue to develop mechanisms to shield European stakeholders from unfair practices, and guarantee a level playing field in the single market
- Continue to cooperate with China in areas of common interest
- Develop a global connectivity strategy based on concrete, transparent and sustainable projects
- Continue to integrate foreign staff into China operations, as well as Chinese staff into global operations
- Strengthen links between China and global teams
- Establish 'decoupling teams' and develop cost/benefit analyses to determine whether and how far to separate China operations from the rest of the world
- Audit supply chains thoroughly and determine potential exposure to sanctions
- Develop flexible decarbonization strategies that can be adjusted: produce clean and green here

Ms Luisa Santos, Deputy Director General of BusinessEurope, moderated the Q&A session. Are we going with China to a similar situation as with Russia with sanctions and a frozen relationship? Mr Wuttke: Sanctions lead nowhere and make things more complex and costly. They are very easy to announce but difficult to take back. Who is going to give in first, it's a very difficult situation. Russification of the relationship is a big worry. A difficult moment will be the Winter Olympics, which might look ugly on TV. The question of forced labor in China might lead to a consumer boycott in Europe and the reaction on China's social media will be very vicious. There is a lot of downside potential. The EUCCC is against sanctions. President Xi Jinping is the only G20 leader who has not traveled outside his own country in more than 700 days to meet face to face with other leaders, which is bad because much information is lost if you do this online. In the EU-China dialogue we will try to take baby steps forward so that the investment agreement might come out of the ICU again. On Chinese media, Europe looks like a mess, but we are not actually a mess. The public opinion on Europe – especially among young people – is absolutely rotten. A dialogue to bridge this is getting more and more difficult. Concerning the China-Australia relationship it was quite amazing to see how China was trying to penalize Australia for criticizing China and then Australia starting to export goods destined for China to other countries.

Could you elaborate on Europe speaking with one voice and on due diligence? Mr Wuttke: For China, European countries individually matter more than the EU. China is more comfortable talking with the member states which is a pity because the European parliament has to ratify the investment agreement and Berlin and Paris can't do much. Due diligence is becoming more important with the supply chain laws. There is a moral value discussion going on about the supply laws. We will need a lot of communication to explain to China why we did it, what might be the benefit for them and explain to our members to take it really serious. Many leaders that have a good grip on the economy and globalization such as Vice Premier Liu He will be stepping down in 2023, and then the question is who will be their successors. There is already an echo chamber in China listening to what the President has to say and this might become even more pronounced. Concerning investing, China means big business. The biggest risk is not being in China. You need to see the problems coming and address them. China is important, it is not Cambodia or the Soviet Union, it is an

emerging giant.

How will China further cope with the energy crisis, further opening up and the Covid pandemic? Mr Wuttke: The energy situation is self-inflicted because the toolbox is not there to achieve a green environment. European business is interested in participating because we think we have the toolbox. The energy crisis is coal-based. China imports only about 7% to 8% of its coal consumption, mostly from Indonesia, Russia and Mongolia. There was a corruption scandal in Inner Mongolia and shut downs of coal mines following accidents. We are now facing the heating period and nothing will close the gap at least until April next year. The crisis will ripple through the economy. The powerhouse of this economy – Jiangsu and Guangdong – are hit the worst. The energy crisis in China is unrelated to the one in Europe. More diesel generators are being used, leading to skyrocketing emissions.

How will the Personal Information Protection Law affect companies in China? Mr Wuttke: We worry about the language, which is hazy, but China is looking to Europe. They want to safeguard data protection. They realize that data is power and don't want businesses to have more data than the Communist Party has. But it is not as big a topic as the supply chains decoupling or the energy crisis.

Ms Luisa Santos: It is important that Europe and China keep the dialogue open, despite difficulties with the sanctions. Hopefully we will also have the conditions to unfreeze the CAI, which is not heaven, but a very good road into heaven. It is better to have it than not to have it. It is important that companies remain in China.

HEALTH

Covid-19 cases spread to 11 provincial regions

A tour group that traveled from Shanghai to Gansu, Inner Mongolia and Shaanxi caused secondary Covid-19 infections in 11 provincial regions, including six cases in Beijing. The patient was a close contact of a confirmed case from Ningxia, who in turn was a confirmed contact of the Shanghai tour group. The first Beijing case was on the same train as the infected person from Ningxia. The seven elderly tourists in the tour group all tested positive in Xian, Shaanxi province. Two streets in Beijing's Fengtai district are under closed management, and people from outside are advised not to visit the two streets. Fengtai has tracked 258 close contacts of the confirmed case, and a local school which had contact with one close contact was asked to suspend classes for a week. Nine cases have also been identified in Changping district. Wang Guangfa, Respiratory Expert at Peking University First Hospital, told the Global Times that the source of the latest infections was likely imported from overseas, as China has cleared its local infections long time ago and the sporadic outbreaks since the Wuhan outbreak were all related to imported sources.

The total number of infections in this latest outbreak has now risen to more than 137 over the past week, of whom 106 were traveling in tour groups. Gansu province has suspended all tourist activities and all tourists in Lanzhou are required to remain in quarantine. The Ministry of Culture and Tourism has ordered travel agencies to suspend cross-provincial tourism activities in regions with medium- or high-risk areas. People from counties with new infections or travelers who have visited the counties with new cases within 14 days are not allowed to enter Beijing. It has been confirmed that the virus that resulted in the ongoing outbreaks came from overseas, but how it entered China remains unknown. **In Beijing the first local cases were reported following more than two months of zero local cases in the city.**

The flare-up led affected provincial regions to temporarily close some tourist spots, suspend transportation services and place some streets under closed management. Wang Guangfa said that China should stick to its current epidemic strategy before reopening to the world as the global pandemic is not under control.

Though **there is no timeline for when China will lift border restrictions**, the country will do so after meeting a number of requirements, including figuring out the efficacy of the vaccines and taking into consideration the global pandemic situation, according to Wang. **"When will China relax its border controls?"**, a commentator in the Global Times asked. **"Judging from the current situation, as**

long as the pandemic goes on, China will not do so. If we take economic, social, security, environmental protection and other benefits all into consideration, it is not difficult to conclude that the advantage of China's continued adherence to strict border control measures will obviously outweigh the disadvantages."

At least three districts of Beijing, Chaoyang, Dongcheng and Tongzhou, are beginning to offer Covid-19 vaccine booster shots to residents over 18 years old who were fully vaccinated at least six months ago, joining at least 18 provincial-level regions in China. Experts said that the move was prompted by the approach of winter as well as the Beijing 2022 Winter Olympics. According to the latest available data 19,796,400 people in Beijing had been fully vaccinated as of September 28. The full vaccination rate of the city's adult residents reached 98.42%.

A Chinese team has developed a new test method for Covid-19 which only requires the person to be tested to **exhale into a bag for 30 seconds, with 5 to 10 minutes needed to finish the analysis.** Team leader Yao Maosheng, Professor at the College of Environmental Sciences and Engineering at Peking University, said that the test is highly accurate, and can differentiate among Covid-19 carriers, healthy people and patients suffering from other respiratory infections. Higher levels of propanol were detected in the exhaled breath of Covid-19 patients and other respiratory infections than in healthy subjects, while breath-borne acetone was found to be significantly lower for Covid-19 patients than those with other respiratory infections. The quick procedure and high accuracy give the new method an edge compared to antigen-based quick testing, as it is more convenient, faster and does not require the use of reagents. The test is also capable of identifying an infected person with a false negative throat swab test, and symptomatic and pre-symptomatic infections can be detected earlier. The test could produce false positives but no false negatives.

KLM Royal Dutch Airlines' flight from Amsterdam to Shanghai has been suspended for another two weeks, starting from November 11, by China's civil aviation regulator. Flight KL857 was put on hold after seven passengers on a flight from Amsterdam tested positive for Covid-19 on October 6. The flight has been suspended since October 18 after eight cases were discovered on the flight on September 29. A flight suspension is extended from one week to two if five or more passengers test positive. The suspension lasts for four weeks if the number reaches 10. If all inbound passengers of an airline test negative three weeks in a row, the airline will be allowed to increase its flights to two per week.

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

FOREIGN INVESTMENT & TRADE

Used FDI up 19.6% in first nine months; development plan for FDI released

The Ministry of Commerce (MOFCOM) said **foreign direct investment in actual use rose 19.6% year-on-year during the January-September period.** From a sectoral perspective, the services sector's FDI increased 22.5%, while high-tech industries saw FDI jump 29.1%. FDI in the high-tech services sector grew 33.4%, while such investment in high-tech manufacturing was 15.2% higher. "The 19.6% growth in actually used FDI is satisfying overall and demonstrates that China's business environment remains attractive to global investors amid Covid-19's impact," said Bai Ming, Researcher at the Chinese Academy of International Trade and Economic Cooperation. The 22.5% growth of FDI in the services sector, faster than overall FDI growth, shows that China's services sector is becoming increasingly attractive to foreign businesses, Bai added.

China aims to become a major foreign investment destination in the world and an innovation and high end manufacturing hub in East Asia by 2035, with remarkable improvements in both the quantity and quality of foreign investment utilization, according to a **new development plan for using foreign investment during the 14th Five Year Plan period (2021-25)**, which was unveiled by the Ministry of Commerce. The country will aim to attract a total of USD700 billion in FDI during the period. By 2025, high-tech sectors are expected to account for 30% of total foreign investment inflows, up from 29.6% in 2020. The development plan said that pilot free trade zones and ports are set to account for about 19% of total foreign investment inflows by 2025, up from 17.9% in 2020. "China is likely to attract more than CNY1 trillion of foreign investment this year, and in U.S. dollars, the foreign investment is expected to exceed USD160 billion," Zong Changqing, Director General of MOFCOM's Foreign Investment Administration (FIA) said.

As China vows to promote opening-up in more areas and at a deeper level, the plan called for continuously expanding market access while improving the "pre-establishment national treatment plus negative list" system for foreign investment. Areas unsuitable for opening are put on a "negative list", while foreign investors are treated no less favorably than Chinese investors at the "entrance

stage". There will be further reductions in the national, pilot free trade zone and port versions of the negative lists for foreign investment, and the country will further open up the manufacturing, services and agriculture sectors, while gradually allowing foreign investors a controlling stake or sole ownership in more areas.

The plan also called for improving the transparency of the negative lists, and strictly adhering to the principle of "no prohibition means allowing foreign investment to enter" in areas not included on the negative lists. Sectors such as **telecommunications, the internet, education, culture and medical care, will be further opened**, while required personnel qualifications in sectors including law and transportation will be reduced. The development plan also called for steadily promoting opening-up in financial sectors such as banking, securities, insurance, funds and futures, and steadily strengthening opening-up in the capital market, such as lowering requirements for quality foreign investors to strategically invest in listed companies.

China's non-financial outbound direct investment (ODI) for the first three quarters fell more than 5% year-on-year to CNY522.76 billion. However, in U.S. dollar terms, the investment increased by 2.4% year-on-year to USD80.78 billion, with USD13.66 billion flowing into manufacturing – up more than 9% year-on-year – while USD6.2 billion flowed into information transmission, software and information technology services, up more than 37% year-on-year. During the first nine months, China's investment in economies participating in the Belt and Road Initiative (BRI) reached USD14.87 billion, up more than 14% year-on-year, accounting for more than 18% of non-financial ODI, up 1.9 percentage points from the same period last year.

RETAIL

Beijing to become international consumption hub

Beijing is working hard to become an international consumption hub in the next five years. Yan Ligang, Director of the Beijing Commerce Bureau, said at a recent forum that the city would strive to set up "world-level business circles", increase the number of inbound tourists and raise the consumption power to realize its goal. Beijing is striving to offer more choices in consumer products and **provide incentives to introduce "first stores" to the city**. Italian designer Gianvito Rossi, who in April chose Beijing to launch his brand's first store in China, said that "China has always been an important market for us, as Chinese consumers shop at our boutiques worldwide." He said Beijing is a major destination for luxury shopping. Kevin Liu, General Manager in charge of the Chinese mainland and Hong Kong for fashion and fragrance business Puig, said choosing Beijing as the location for its first store would help the brand's long-term development. Liu said revenue at the store in the first month after it opened in July surpassed expectations.

Both Gianvito Rossi and Christian Louboutin set up their first outlets in China at the SKP Beijing department store, the nation's biggest and most productive retailer, which achieved CNY17.7 billion in sales last year, outpacing renowned British store Harrods' pre-pandemic performance. Xie Dan, Deputy General Manager of SKP Beijing, said Chinese consumers contribute 35% to global fashion consumption, but only a small proportion takes place in China, meaning that the nation offers huge potential. The SKP-S store, a new outlet one street away from SKP Beijing, opened in December 2019, targeting younger customers. It has attracted many well-known global brands, including Prada, to launch stores or hold events. Armando Tolomelli, CEO of Prada Asia Pacific, said the futuristic concept of SKP-S inspired the company's strategy of investing in such space and attracting new and younger customers.

Domestic brands that have recently opened or are opening their first stores in the city are eligible for subsidies of up to CNY5 million as part of the capital's efforts to become an international consumption hub. More subsidies are available for stores that are the first on the Chinese mainland or in Asia. Beijing also supports first flagship bricks-and-mortar stores introduced by intermediary agencies, the owners of commercial compounds, as well as internet platforms. The subsidies must be used to build, decorate and rent stores. According to the Beijing Commerce Bureau, **696 first stores, including flagship outlets, opened in Beijing in the first three quarters of this year** – 513 more than the total number of such stores that opened in the city last year. Of the 696 stores, 588 are occupied by domestic brands, accounting for nearly 85% of the total, and the remainder are from overseas – including 19 from Italy, 18 from the United States and 15 from France.

FAO Schwarz, one of the world's oldest toy companies, opened a first store at the China World Mall in May 2019. The company has benefited from the capital's policies, receiving CNY5 million in subsidies from the local government. Kidsland International Holdings, a toy retailer with headquarters in Beijing, has also introduced its products in China. Cao Xiang, Executive Director of China Nobleness International and Founder of Choo Noble Art

Interactive Café, said Beijing residents have huge consumption power, which led her to open a store at the China World Mall. The store offers a space for customers to draw with crayons imported from Switzerland while enjoying a cup of coffee or tea. "It's all about experiences. People are now wealthier than they were, but also more stressed. They sometimes need a place to slow down and enjoy their time by quietly doing some art," Cao said. Be Gallery in Sanlitun is a combination of photo studio and select outlet. A large retail space displaying artworks and offering photographic services, Be Gallery opened a first store in Sanlitun at the start of this year. Jiang Lin, 40, Co-founder of the brand, which is headquartered in Shanghai, said the Beijing store launched with a totally new concept tailored to local residents. "We are cooperating with more than 130 overseas brands in **an attempt to introduce fine art from around the world to our customers**," Jiang said. He added that revenue growth at the store has been higher than expected in recent months and predicted that it could recover its costs in two years – less time than previously estimated.

By 2025, Beijing aims to attract more than 3,000 first stores to the city and to launch more than 100 consumption brands, according to the local government's plan. The central government has announced that five cities – Beijing, Tianjin, Shanghai, Chongqing and Guangzhou, capital of Guangdong province, will become international consumption hubs, the China Daily reports.

CHINA NEWS ROUND-UP

President Xi Jinping calls for sound development of the digital economy

President Xi Jinping has called for efforts to ensure the sound development of the digital economy at a time when the country is pursuing indigenous innovation, especially in bottleneck technologies, while carrying out a campaign against monopolies and unfair competition. Xi made the remarks at a study session of the Political Bureau of the Communist Party of China focused on the digital economy. Digital technologies and the digital economy are a crucial area in the new round of international competition, Xi said, stressing that China must "seize the opportunities and seize the commanding heights of future development". **Xi also called for** the strengthening of laws, rules and policies, as well as **breakthroughs in core technologies** to ensure that development of the digital economy is "firmly grasped in our own hands". He also called for efforts to prevent monopolies and the unchecked expansion of capital, noting that the legitimate rights and interests of platform employees and consumers ought to be protected. Tougher tax supervision and audit procedures were also stressed.

China was the world's second-largest digital economy with a scale nearing USD5.4 trillion in 2020, trailing the U.S. with its USD13.6 trillion digital economy, according to a white paper on the global digital economy by the China Academy of Information and Communication Technology published in August. China's digital economy was the fastest-growing last year with a yearly expansion of 9.6%, followed by Lithuania with an annual growth rate of 9.3%, according to the white paper. The study session clarified the direction of China's digital economy development, Wang Peng, Assistant Professor at the Gaoling School of Artificial Intelligence at the Renmin University of China, told the Global Times. "Supervision will be strengthened to protect personal information and data, prevent monopolies, and enable digital platforms, the digital economy and digital technology to benefit people's livelihoods and the pursuit of common prosperity," Wang noted, as reported by the Global Times.

Anti-Monopoly Law to be revised; Law on Anti-telecom and Online Fraud discussed

China plans to revise the Anti-Monopoly Law as lawmakers began deliberating draft amendments submitted to the latest session of National People's Congress (NPC) Standing Committee. The draft revision aims to address major problems in the law's current implementation, further improve the anti-monopoly system and increase penalties for monopolistic practices. Enacted in 2008, the Anti-Monopoly Law has played an important role in protecting fair competition, improving the efficiency of economic operations, safeguarding consumers' and the public's interests, and promoting high-quality development, said Zhang Gong, Director of the State Administration for Market Regulation (SAMR), in an explanatory note to the draft revision.

SAMR plans to hire more employees for its Beijing head office, with its anti-monopoly unit getting 18 out of 33 new staffers to be hired in 2022. Several Chinese digital platforms have also faced strict regulatory scrutiny in recent months. In October, Meituan received an antitrust fine of CNY3.44 billion, or 3% of its 2020 domestic revenue. Meituan was also ordered to immediately stop illegal activities and refund exclusive cooperation deposits totaling CNY1.29 billion to contracted vendors. In April, Alibaba was fined a record USD2.8 billion in a landmark antitrust case, the Global Times reports.

The draft Law on Anti-telecom and Online Fraud was also submitted to the session for a first review. It requires telecom and internet service providers to ensure their

users are registered under their real identities. Banks or payment institutions should also verify the identities of their clients, understand their purposes for opening accounts and take risk management measures when providing related services to prevent such accounts from being used to perpetrate fraud, according to the 39-article draft law. It calls for harsh punishment of those who illegally purchase, rent or lend SIM cards, Internet of Things (IoT) cards, or online or financial accounts, adding those who engage in such behavior will face restrictions using cards or accounts, or be barred from using new services.

Data released by the Ministry of Public Security in April showed that **Chinese police solved 322,000 cases involving telecom and online fraud last year**, arrested 361,000 suspects, froze CNY272 billion in funds and prevented 8.7 million people from falling prey to swindlers, avoiding a total of CNY187 billion in losses. China has paid closer attention to fighting such fraud in the past few years, not only because of sizable economic losses, but also because some victims died from a heart attack or suicide, the China Daily reports.

The assertion that China's recent market regulation campaign is a "crackdown on the private sector" is baseless, Xu Shanchang, Director of the Department of Comprehensive System Reform at the National Development and Reform Commission (NDRC) said. He added that the campaign targeting uncontrolled expansion of capital and monopolies was a concrete and necessary step to boost development and is not aimed at private enterprises. The trade volume of private businesses increased by 28.5% in the first three quarters of 2021, which accounted 48.3% of China's total trade volume, a year-on-year increase of 2.1 percentage points. In addition, there are 34 private enterprises listed in the Fortune Global 500 list in 2021, five more than last year.

Risks in real estate market controllable, pilot property tax launched in five regions

Risks in China's housing market remain overall controllable despite individual problems that have arisen, **Vice Premier Liu He said**, in the latest reassurance from senior Chinese officials about the stability of the country's property sector amid the Evergrande debt crisis. Yi Gang, Governor of the People's Bank of China (PBC), said that the major risks related to developer Evergrande are defaults on debts as they fall due, the shutdown of some of its construction sites, and uncertainty facing the on-time delivery of pre-sold homes, adding that the Evergrande risk is specific. Speaking at the Group of 30 International Banking Seminar, Yi said measures will be taken to avoid that the Evergrande risk spreads to other property firms and keep the risk from disturbing financial markets. Evergrande owes about USD300 billion, with one-third to the financial sector. This, adding to the diverse creditors and collateral Evergrande has offered for its debts, suggests that the spillover of the Evergrande incident on the financial sector is under control, according to the PBOC Governor.

Yi Gang stressed that the legitimate rights and interests of creditors and property owners, particularly home buyers, will be fully respected and protected strictly in line with the legally prescribed order of repayment. Yi voiced confidence about containing the risks. The official reiteration that risks from the indebted developer are controllable indicates "the most stressful time of the Evergrande crisis has passed," Yan Yuejin, Research Director at Shanghai-based E-house China R&D Institute, told the Global Times. "There's little chance of a massive property easing, and a large-scale bailout is merely an unlikely illusion," Yan said.

Speaking at the Financial Street Forum, Pan Gongsheng, Deputy Governor of the PBOC, said that excessive risk aversion among financial intuitions and the financial market was being corrected, with fundraising activities and prices in the financial market gradually returning to normal. Prices for new and second hand homes across 70 major Chinese cities either stayed flat or fell in September on a month-on-month basis. On a yearly basis, growth in home prices in these cities, both new and second hand, continued to moderate, the Global Times reports.

Meanwhile, the Standing Committee of the NPC has authorized **the government to launch a pilot property tax in five regions for a period of five years**. The property tax will be levied on residential and non-residential properties, and state-owned land earmarked for construction, but excluding legally owned rural houses. Zhejiang province, tech hub Shenzhen in Guangdong province and Hainan are expected to join the pilot program. Many local governments are reluctant to implement such a tax as it may cause property values to drop and dampen market demand for land – a crucial source of local government revenues. In 2020, the total market value of China's housing was around at USD62.6 trillion, nearly double of that of the U.S. and six times that of Japan. Experts believed the property tax may finally stop house prices from rising further.

China to become knowledge center for the shipping industry

China is well positioned to lead the international shipping industry in establishing a world innovation and knowledge center for sustainable transportation, officials and industry insiders said at the inaugural **World Maritime Merchants Forum** on the theme of "Leading the Trend". It was hosted by China Merchants Group, the Baltic and International Maritime Council, the International Chamber of Shipping and the Hong Kong Shipowners Association. The forum aims to expand cooperation in the shipping chain, promote resource sharing and establish a new global shipping ecology amid the great changes of digitalization and decarbonization. Li Xiaopeng, China's Minister of Transport, proposed strengthening cooperation through infrastructure construction and policy synergy within the international shipping industry to build the 21st Century Maritime Silk Road. The role of the shipping industry in the global economy is as crucial as the blood vessels to the human body, as around 90% of traded goods are transported via water, said Yin Zonghua, Deputy Director of the Liaison Office of the Chinese government in Hong Kong. China has the most connected shipping networks in the world, is the largest trading partner of more than 120 countries and regions worldwide and has seven

of the world's 10 biggest ports.

With the optimization of China's industrial chains, trading with neighboring countries has increased, said Xu Lirong, Chairman of China COSCO Shipping Corp. In the first eight months of this year, China's trade with member nations of the Association of Southeast Asian Nations (ASEAN) has reached CNY3.59 trillion, an increase of 22.8% year-on-year, he said. The Regional Comprehensive Economic Partnership (RCEP) agreement also further consolidated China's position as a global supply chain hub and covers about 30% of the world's gross domestic product (GDP), trade and population. China's direct investment in RCEP member countries reached USD15.44 billion in 2020, surging 34% year-on-year.

However, the shipping industry still faces bottlenecks and obstacles, said Miao Jianmin, Chairman of China Merchants Group, referring to a structural imbalance and great volatility of business operations, an inadequacy to adapt to emergencies, and challenges in carrying out industrial decarbonization, the China Daily reports.

Major SOEs report better performance

China's centrally managed state-owned enterprises (SOEs) have seen remarkable progress in operations during the first three quarters, according to the State-owned Assets Supervision and Administration Commission (SASAC). **Net profits** of those SOEs reached more than CNY1.5 trillion during the period, **up 65.6% from a year earlier**. Compared with the same period in 2019, the figure increased 43.2%. Their total operating revenue was CNY26.2 trillion, up 23.9% year-on-year and 18.3% over the same period in 2019. A total of 29 central SOEs saw their revenue growth rates exceed 30%. Peng Huagang, SASAC Secretary General, attributed the progress mainly to China's effective control of Covid-19 and stable economic growth, which he said created favorable external conditions for central SOEs to develop, including a strong rebound in market demand.

The profit margin of central SOEs was 7.5% in the first nine months, up 1.7 percentage points from a year ago, while research and development (R&D) investment increased by 30.6% year-on-year. They paid CNY1.9 trillion in taxes and fees over the period, a year-on-year increase of 21.1%. More than 70% of central SOE taxes and fees saw double-digit year-on-year growth during the first nine months. Peng also said SASAC will continue to promote the restructuring of the central SOEs, focussing on supply-side structural reforms, innovation-driven development and manufacturing upgrades. Mergers of some centrally managed SOEs will be promoted and new SOEs will be established in some sectors. SOEs in sectors such as rare earths and logistics will be strengthened to build world-class players with strong competitiveness.

Coal-fired power prices to be determined by market forces

China is steadily promoting reform of energy pricing, with the National Development and Reform Commission (NDRC) announcing that **all coal-fired power prices will be determined by market forces**. The government announced prices of coal-fired power can fluctuate within a range of 20%, compared with the former ceiling of 10% and floor of 15%. The improved pricing mechanism will lift costs for high energy-consuming enterprises, which are not bound by the 20% upper limit, in order to curb "irrational power consumption" and to encourage firms to improve their energy efficiency, the NDRC said. Coal prices had been surging due to tight supplies, leading to output cuts at power stations seeking to avoid losses. Analysts said enterprises that consume high amounts of energy will see their costs rise substantially.

Wei Hanyang, Power Market Analyst at research firm BloombergNEF, said the reform will improve the pricing mechanism and encourage such enterprises to improve their energy efficiency in order to keep their costs low. This will in turn help ease the ongoing power shortage and deepen the sector's market-oriented pricing reform, Wei said. Lin Boqiang, Dean of the China Institute for Studies in Energy Policy at Xiamen University in Fujian province, said **wider price fluctuations will effectively ease the country's tight power supply**. Energy guzzlers should be pushed to further implement energy conservation and emission reduction measures to avoid getting weeded out, he said.

According to the NDRC, corporate consumers of high levels of electricity might still break the 20% ceiling, but residential and agricultural users, as well as public welfare initiatives, will continue to have fixed power prices. State-owned enterprises, including State Grid Corp of China, the largest power provider in the country, are also stepping up measures to ensure adequate domestic power supply during the upcoming heating season. Earlier this month, coal enterprises in Erdos, the Inner Mongolia autonomous region, have signed agreements with many provinces and municipalities, including Tianjin, Heilongjiang and Jilin, for the supply of 77.06 million tons of coal, to ensure sufficient electricity supplies. The National Energy Administration (NEA) asked power grid companies to ensure wind and solar power suppliers are connected to their grids as soon as possible, so as to ensure energy supplies remain adequate, the China Daily reports.

Polar Silk Road becomes part of the Belt and Road Initiative (BRI)

The Polar Silk Road has recently gained renewed attention. During the recent **2021 Arctic Circle Assembly** hosted in Iceland, the Polar Silk Road, proposed by leaders of China and Russia in 2017, came under the spotlight as the melting of Arctic sea ice has made it possible for merchant ships to navigate the Arctic Ocean, greatly shortening shipping lanes connecting Asia and Europe and even North America. Participants at the Assembly said opening the Arctic route will promote the overall growth of the economy in the region and global

trade and shipping will undergo major changes. Experts said that the Polar Silk Road will be an important part of the Belt and Road Initiative (BRI).

The Polar Silk Road is a relatively new alternative for global shipping companies, especially after the unprecedented chaos seen in the Suez Canal caused by a stranded cargo ship and global logistic hurdles posed by port congestion, Song Kui, President of the Contemporary China-Russia Regional Economy Research Institute, told the Global Times. The East Asia-Europe route passes through the Suez Canal and the Strait of Malacca, a significant detour. But taking the route from Shanghai to Murmansk in Russia by crossing the Arctic waterway, the total voyage can be shortened by nearly half, taking about 15 days less, and saving 20% of fuel. Most of the goods delivered via the route are bulk commodities such as steel using specially designed ships adapted to the Arctic environment. The best shipping period is summer time between July and September, but with the melting of the ice, the shipping window would be further extended.

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