

# China Business Weekly

2 November 2021



## FCCC/EUCBA ACTIVITIES

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



The Flanders-China Chamber of Commerce is organizing a webinar 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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**Celebration of the 15<sup>th</sup> Anniversary of the China Platform: Panel discussion  
“Innovation and R&D: Future Prospects with China”  
22 November 2021 – Het Pand, Ghent**



**The year 2021 marks the 15<sup>th</sup> Anniversary of the China Platform in Ghent University. So this calls for a big festivity!**

On 22 November, the China Platform will host a festive 1-day event in the Convention Center Het Pand. During this event, the China Platform will also present its third book about the Ghent University–China cooperation of the past 15 years, since the establishment of the China Platform.

The programme of this “Celebration of the 15<sup>th</sup> Anniversary of the China Platform” consists of a morning part with two panel sessions, focusing respectively on education and research; and an afternoon part, that will start with a panel session about Innovation and R&D, followed by the plenary session with keynote speeches by some of the distinguished guests. The programme will be officially concluded with a presentation by Prof. Luc Taerwe, Director of the China Platform, of the new book of the China Platform. This 1-day programme will be concluded with a networking reception that will allow the participants to “mix and mingle”.

The programme starts at 9:00 am sharp and will end at 6:00 pm.

As part of the **celebration of the 15<sup>th</sup> Anniversary of the China Platform**, the Flanders-China Chamber of Commerce and Ghent University are organizing a **panel discussion on “Innovation and R&D: future prospects with China”** with the following participants:

**Mr Kurt Vandeputte**, Chairman of the Flanders-China Chamber of Commerce and Senior Vice-President Government Affairs, Umicore

**Mr Luc Semeese**, Vice-President Manufacturing Engineering, Volvo Cars

**Mrs Veerle Van Wassenhove**, Vice-President Research & Innovation, Bekaert

**Mr Wim Van Camp**, General Manager, Ghent University Tech Transfer Office

**Mr Birk Vanderweeën**, General Manager Europe, Legend Biotech

**Moderator: Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce

**Full program of the celebration:**

**Morning**

**09:00 – 09:15** Welcome by Prof. Guido Van Huylenbroeck, Director of Internationalization, Ghent University

**09:15 – 10:45** Panel session: “Research: what opportunities for future sustainable collaborations?”

**10:45 – 11:15** Coffee break with poster session

**11:15 – 12:30** Panel session: “Vision on the developments in education: an internationalization for all strategy”

**12:30 – 13:30** Walking lunch with poster session

## Afternoon

**13:30 – 15:00** Panel session: “Innovation and R&D: future prospects with China”

**15:00 – 15:25** Coffee break with poster session

**15:30 – 16:25** Plenary session in the presence of:

**H.E. Mrs Sophie Wilmès**, Deputy Prime Minister and Minister of Foreign Affairs, European Affairs and Foreign Trade and the Federal Cultural Institutions (TBC)

**Prof. Rik Van de Walle**, Rector of Ghent University

**Mrs Carina Van Cauter**, Governor of the Province of East-Flanders

**Mr Mathias De Clercq**, Mayor of the City of Ghent

**Mr Daan Schalk**, CEO of the North Sea Port

**16:25 – 16:55** Presentation of the third publication of the China Platform by Prof. Luc Taerwe, Director China Platform, Ghent University

**17:00 – 18:00** Reception

Website: [www.ugent.be/chinaplatform](http://www.ugent.be/chinaplatform)

Email: [chinaplatform@ugent.be](mailto:chinaplatform@ugent.be)

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## Webinar: Belgian Customs and its activities in China 24 November 2021, 10h00 – 11h00

**WEBINAR**

**Belgian Customs and its activities in China**  
**24 November, 2021, 10h00-11h00**

**Isabelle Bedoyan**  
Counselor, Customs Attaché,  
Embassy of Belgium in China

**Leslie Lambregts**  
Director International Affairs,  
FAVV-FASFC

**Annabelle Schreiber**  
Agricultural attaché,  
Embassy of Belgium in China

Moderated by **Gwenn Sonck**  
Executive Director,  
Flanders-China Chamber of Commerce

The Flanders-China Chamber of Commerce – with the support of Flanders Investment & Trade – is organizing a webinar focused on 'Belgian Customs and its activities in China'.

### Program:

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

**10h05-10h20:** Procedures and regulations of the Chinese customs and other institutions related to import or export, Ms. Isabelle Bedoyan

**10h20-10h35:** Support given by FASFC to local companies when exporting to China, Mr. Leslie Lambregts

**10h35-10h50:** Sanitary and phytosanitary requirements for export to China, with focus on the new Chinese registration

requirements for foodstuffs (Decree 248), Ms. Annabelle Schreiber

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

**Practical information:**

**Date:** 24 November 2021

**Location:** Online

**Price members:** Free

**Price non members:** Free

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## PAST EVENTS

**Webinar: How to secure your Chinese contract while the borders are closed**

**26 October 2021**

The banner features the logos of the Flanders-China Chamber of Commerce (FCCC) and the Vlaams-Chinese Kamer van Koophandel (VCKK) at the top. Below the logos, the text reads 'Webinar: 'How to secure your contracts with China''. The central part of the banner shows two video thumbnails. The left thumbnail shows Mr. Philippe Snel, Managing Director and Founder of Da Wo Law Firm Shanghai, with a background of a city skyline. The right thumbnail shows Gwenn Sonck, Executive Director of FCCC, with a background of the FCCC logo and the text 'Your partner for doing business with China'. Below the thumbnails, the names and titles of the speakers are listed: 'Mr. Philippe Snel, Managing Director and Founder, Da Wo Law Firm Shanghai' and 'Moderated by: Gwenn Sonck, Executive Director, FCCC'.

The Flanders-China Chamber of Commerce (FCCC), with the support of Flanders Investment & Trade, organized a webinar on China's reforms to promote the use of digital technology in contracts with Mr. Philippe Snel, Partner, Da Wo Law Firm on **October 26**, 2021.

**Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce, welcomed the participants to the webinar. Mr Philippe Snel is the Founder and Managing Director of Da Wo Law Firm Shanghai and has been practicing as a foreign lawyer in Shanghai for almost 20 years. He recently has been recognized for his contributions to the development of the city of Shanghai, receiving the Silver Magnolia Award of the Shanghai municipal government, one of the highest honors for foreign nationals in Shanghai. He graduated from Leuven University in 1995 and joined the Brussels bar in 1997. His main practice centers on corporate and commercial law but he is also often involved in IT work and compliance practice.

**Mr Philippe Snel, Founder, Da Wo Law Firm**, explained that under the current Covid-19 containment measures, traveling to China continues to be subject to very restrictive conditions which are likely to remain applicable for much longer than one might expect. At present a full reopening of the borders does not seem to be in the works before the third quarter of 2022 at the earliest, and more likely in 2023. Mr Snel presented some practical suggestions and basic legal recommendations on how to negotiate, conclude and manage contracts with Chinese companies from afar.

**The borders are closed but China remains very much open for business.** Nearly 19 months have passed since the border was closed on March 28, 2020. No estimated time of reopening is announced and China's "zero case" strategy remains firmly in place. There is currently an outbreak in Inner Mongolia in the north with millions of people tested every day and strong containment measures for anyone even vaguely related to confirmed cases of Covid. Entry to China remains extremely restricted. Travel to China is only open for Chinese nationals and for holders of a valid resident permit,

but subject to stringent additional conditions, including vaccination with a Chinese vaccine. Foreigners without a valid residence permit or green card must receive a **Proof of Urgency Letter (P.U. Letter)**, which is **extremely difficult to obtain**. Local foreign affairs bureaus, upon request of the local commerce bureau, will only issue a P.U. letter if the project or business for which the person requests authorization to travel to China is identified as a major or key project or business by the authorities. Moreover, entry to China is subject to a very strict two to three week hotel quarantine and flights to China remain limited. For example, international traffic at Pudong international airport is less than 5% of pre-Covid numbers. People coming to participate in the Winter Olympics in February next year will be living in a bubble. We don't expect this situation to end before the end of next year and much will depend on what happens outside China. The country remains open for business and imports and exports continue to grow. Exports are booming and order books are filling up. In November there will be the China International Import Expo (CIIE) in Shanghai. More than 15,600 foreign-invested enterprises registered during the first half of 2021, 60% more than in the same period of 2020. Automotive is again booming in China.

**To discuss contracting from a distance we need to go through the contracting cycle of negotiation, concluding the contract and performance.** In the negotiation phase you need to set a solid base. You need to properly identify the company you are talking to. This may be obvious, but often this might not be clear. Identify the person you are speaking with and verify his or her authority in the company, and also ask to know his Chinese name. A Chinese company can be identified through the business license. It is not an insult to ask for a copy of the business license, it is completely common. You will have all the information you need, including the unified social credit code, the official name of the company, the name of the legal representative who can legally engage the company, the business scope (trading, manufacturing, etc.), the amount of registered capital, the date of establishment of the company and the registered address. If a company has a low registered capital you probably shouldn't sign multi-dollar deals with it and if it was only established yesterday it might not be very reliable. Avoid or at least limit language problems as much as possible. Set clear terms of engagement or rules of communication from the start and keep verifiable records. Confirm the essential points in clear and explicit language and feel free to record important voice or video communications. You don't need authorization and recordings can be used in court.

**When concluding the contract, ensure the essentials.** A purchase order (PO) is not a contract and without a contract there is not much a lawyer can do. An email is also not a contract and a scanned copy of a signed contract is not valid proof of a contract. You need an original of a chopped contract. There are now also electronic chops that are being used more and more. An official company chop is round and only has the company's name on it. Make sure you have a duly authorized signatory or eventually ask for a power of attorney from the legal representative. Bilingual contracts are preferred. Have the Chinese version verified independently. The other party needs to have the same understanding as you. Contracting with an intermediary such as a Hong Kong company may be problematic because mainland China and Hong Kong are not the same from a juridical point of view. Hong Kong still has its own legal system and a contract with a Hong Kong company will have to be enforced in Hong Kong, not in mainland China. Enforcement costs in Hong Kong are much higher.

**In the performance stage, hope for the best, but prepare for the worst.** Preserve evidence at every stage of the performance, which is particularly important for quality control. Detail each default and confirm in a contradictory manner. Avoid long email chains and make sure you know who is communicating with whom. According to the four-eyes principle, make sure that the person at the origin of the problem is not the only one dealing with the solution. If you come to a mitigation solution, eventually draft an amendment to the contract. Escalate the discussion to higher management or involve the legal department or external lawyers provided they have a basic knowledge of Chinese law and practice. It is better to involve PRC qualified lawyers sooner than later, even during commercial discussions. Seven out of 10 cases are settled after a lawyer's letter. Mr Snel presented a few case studies involving medical supplies.

**The four must-have contract clauses are:**

1. Dispute resolution clause: chose a Chinese arbitration or court because it is almost impossible to enforce a foreign judicial decision in China;
2. Governing law clause: Chinese law is preferred and exclude the Convention on Contracts for the International Sale of Goods (CISG) because it raises very strict requirements in unilateral termination conditions not favorable to buyers and most judges and lawyers in China are unfamiliar with its practical application;
3. Quality standard clause: specify the applicable standards and agree on the method of contradictory verification;
4. Breach of contract clause: agree on what happens in case of default, include a fixed damage provision and a unilateral termination arrangement.

**How does litigation in China work?** A lawyer's letter sent by a PRC law firm or lawyer is the first step. It is however a strong act which you might prefer not to do if you have a long-standing friendly relationship. The authorized representative must sign a notarized Power of Attorney. Settlements out of or even in court are very common. Verifiable, precise and accessible evidence is key, no information is assumed. In general, the judicial proceedings are relatively short, and in general courts are more efficient than in European jurisdictions. In most cases you will have a decision six months after the case is accepted. Costs are reasonable and lawyer fees are often contingent on the outcome. Enforceability is still a weak point, but solutions exist. Inevitable and essential is that all types of evidence formed overseas must be notarized by

a local notary, legalized by the foreign affairs in the country of origin and certified by the Chinese embassy. PRC legislation authorizes the use of electronic data as “electronic evidence” but it must meet certain conditions before it can be used in judicial proceedings. It is better to use an email address whose server is located in China and not use a Gmail address. WeChat exchanges are widely used for any kind of communication in China. A WeChat account can be registered based on a mobile phone number in over 100 countries and regions, but safeguarding the exchanges as qualified digital evidence is still difficult in practice. Back up your chat history on a computer and notarize the WeChat messages received. WhatsApp cannot be used in mainland China and will not be used as a communication tool when dealing with Chinese companies.

**DaWo Checklist for safe contacting (questions):**

1. Do you know who you are talking to? Are you sure? Ask for a copy of his or her ID card.
2. Is this person duly authorized to engage with you for the purposes of your trade?
3. Are you clear about what it is you are ordering and are you certain the other side understands the same thing?
4. Do you have verifiable and accessible evidence for all of the above?
5. Is your contract enforceable under PRC law?
6. Does your contract provide essential clauses needed in case something goes wrong?
7. Do you know who to call in China to help out if things do not work out as planned?

DaWo is a PRC registered law firm, authorized to practice and go to court in China, with a multi-cultural team speaking seven languages. DaWo Academy is providing legal training programs for non-legal managers, e.g. on contracting in China.

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## HEALTH

### Beijing residents urged not to leave the city as 31 Covid-19 cases reported



**Authorities in Beijing have urged residents not to leave the city unless necessary**, and restricted those in regions with new infections from entering the Chinese capital, Xu Hejian, Spokesperson for the Beijing municipal government, said. Beijing has now reported 29 local infections and two asymptomatic ones in the latest outbreak. At the moment, the capital city is facing severe challenges in epidemic prevention and control. In order to prevent the spread and infection clusters, all kinds of

overseas examinations including TOEFL, IELTS and GRE tests scheduled to be held in Beijing will be canceled, authorities announced. Beijing’s airports, railway stations and expressway checkpoints have strengthened epidemic control. Residents who have traveled outside the city should postpone their return if they have visited locations where confirmed cases have been reported during their travel period, the city government said. These locations include residential communities, shopping malls, supermarkets, airports and railway stations, according to the Beijing Health Commission.

**Nationwide, there are now more than 300 cases in 16 provincial-level regions.** About half of the total number of cases are located in Ejin Banner in Inner Mongolia. Three areas – Heihe in Heilongjiang, Ejin Banner in Inner Mongolia and Lanzhou city in Gansu province – were put under lockdown. On October 31, 59 new locally transmitted Covid-19 cases were reported in China, 27 of those were in Heilongjiang province.

**Beijing police have handled 24 cases of what it called “epidemic-related crimes that obstructed epidemic prevention work”,** such as organizing a group of tourists

to visit Hebei province without checking their health codes. Xu Hejian, Spokesperson of the Beijing municipal government, said at a press conference that Beijing has to reduce gatherings such as wedding ceremonies, exhibitions, forums and performances, and the core areas must apply stricter measures to prevent the risk of cluster infections. The Universal Studios theme park must enter into a Covid-19 emergency state, and epidemic prevention and control has to be tightened for hotels, he said. Hotels in Beijing's core areas have been ordered to stop holding wedding banquets, after one of two newly reported cases was found to be a wedding photographer who went to the Beijing Hotel on October 23 and 24 for wedding shoots. Two high-speed trains bound for Beijing were stopped and put under quarantine after it was determined that close contacts of a positive Covid-19 case were onboard, but everyone on the train tested negative.

All those traveling into Beijing should have their health codes checked at the airport, railway station or bus station, and those without a green health code should be barred from boarding planes, trains and buses, Xu added. Ejine Banner last week implemented a quarantine for local residents and around 9,400 tourists in the area, many older than 60. The local government started distribution of medicines free of charge and limited the daily hotel price at CNY200. Tourists who passed five rounds of nucleic acid tests, have quarantined for at least seven days in Ejine, showed no symptoms for 14 days and presented negative nucleic acid test results taken within 48 hours were allowed to return home.

Lanzhou, capital of Gansu province with 4 million inhabitants also quarantined the whole population. While visiting Ningxia, Ma Xiaowei, Chairman of the National Health Commission, said that controlling and preventing the novel coronavirus remains the priority of the government's work, and this should not be relaxed. He urged the authorities to improve their work in containing sporadic outbreaks and trying to curb their expansion.

**After one case of Covid-19 was detected at the Shanghai Disney Resort**, more than 33,000 visitors were immediately tested before being allowed to leave the resort and all tests came back negative. The swift reaction was called "China speed" in response to Covid-19 risks.

**China has launched a nationwide vaccination campaign for minors aged three to 11**, in a bid to increase mass vaccine coverage and accelerate the building of herd immunity, as a new rebound in cases hits almost one-third of the country and becomes one of the worst since the initial outbreak in 2020. Experts said it is necessary to speed up the vaccination drive for children in this age group both to protect them in densely populated school campuses and protect those around them, especially seniors, as winter approaches. Shanghai-based medical expert on vaccines Tao Lina told the Global Times that children are especially recommended to get shots as they tend to become infection sources in households. Although minors tend to develop only mild symptoms, vaccinating them can prevent them from carrying the virus and causing new cluster infections. Tao confirmed that the inactivated vaccines produced by Sinovac and Sinopharm are very safe for children and have been widely used among the young. In July, China launched the vaccination campaign for those aged 12-17, of whom over 91% have completed two doses.

**The first edition of the official guidebook for epidemic prevention during the 2022 Beijing Winter Olympics was jointly released** by the International Olympic Committee (IOC), the International Paralympic Committee and the Beijing Organizing Committee for the 2022 Winter Olympic Games. Athletes fully vaccinated within 14 days before coming to China will enter the closed-loop management system directly after arrival, but those who were not fully vaccinated shall be quarantined for 21 days after arrival. The closed-loop management system covers all venues related to the Winter Olympics, including transportation, accommodation, catering and competition. "Closed loop" means the venues are separate from the general public, and venues in the loop will be connected by designated vehicles. Those within the closed loop management system are not allowed to come into contact with those outside it. The Global Times learned that the second version of the guidebook will be released by the end of 2021, with more details.

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

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## STOCK MARKETS

### Beijing Stock Exchange expected to launch on November 15



**The Beijing Stock Exchange (BSE) is likely to start trading on November 15 as 10 regulations were released on October 30,** said experts. The BSE is seen as a game-changer for technologically advanced small and medium-sized enterprises (SMEs). The new bourse released four business regulations on its website, concerning stock listings, revisions, issuances for investors and company restructuring. Another six regulations were released as well, covering management of sponsors, underwriters, issuance of preferred stocks and convertible bonds. The regulations will take effect on November 15. This appears to suggest the BSE will commence its formal operations on November 15, industry insiders said.

The new exchange will initially be built upon the NEEQ Select, the highest tier of the eight-year-old National Equities Exchange and Quotations (NEEQ) system. Draft listing rules were released on September 5 to solicit public opinion. In the revised version released on October 30, the BSE said companies will not be allowed to go public if they have not released annual or interim reports 36 months before their listing applications. Supervision by sponsors over initial public offerings (IPO) and company restructuring is set at three years and two years, respectively. Companies' stock incentive plans implemented at the NEEQ can be resumed after listing on the BSE. Meanwhile, oversight of auditing reports of BSE-listed companies will be tightened.

**There are 68 NEEQ Select companies, which will be directly transferred to the BSE. Another 14 companies may complete subscription to the NEEQ Select before November 15.** In all, there may be 82 listed companies when the BSE debuts in the middle of this month, said Zhou Yunnan, Founder of Beijing Nanshan Jingshi Investment. Dong Qi, Chief Analyst of Guotai Junan Securities, said the registration-based IPO system and the corporate system will be further optimized after the launch of the Beijing bourse, which will lead to more diversified services becoming available in the Chinese capital market, the China Daily reports.

China in early September announced plans to set up the Beijing Stock Exchange to complement the other two bourses in Shanghai and Shenzhen, and to create a main venue for innovative SMEs. The 68 companies on the selection tier of the New Third Board are mainly in the sectors of medicine, mechanical equipment, new materials and information technology. The third-quarter financial reports showed that 66 out of the 68 companies reported profits, and 45 had net profits of more than CNY30 million. The establishment of the Beijing Stock Exchange is expected to alleviate the problem for innovative SMEs to raise funds, Chen Ke, Partner of Beijing Chang'an law firm, told the Global Times.

**The launch of the Beijing Stock Exchange will encourage innovation-driven companies to seek a domestic listing, instead of a U.S. listing,** experts said. "Most Chinese companies choose a U.S. listing because of the lower threshold and listing requirements. Therefore, if the new exchange can fully meet the development requirements of those innovative enterprises, they will naturally choose to list at home," Chen said. More than 200 enterprises are preparing for a listing on the NEEQ selection layer, a reserve for the new stock exchange. "The number of listed companies on the Beijing Stock Exchange will soon narrow the gap with the STAR board and ChiNext, supporting the nation's economic transformation and industrial upgrading, especially for the development of the high-tech industry," Dong Dengxin, Director of the Finance and Securities Institute of Wuhan University, told the Global Times.

## AUTOMOTIVE

### Electric vehicles boost China's car exports



**Car exports from China are reaching record highs. Over 1.36 million vehicles were shipped overseas in the first three quarters**, according to the China Association of Automobile Manufacturers (CAAM), around 1.2 times the figure from January to September in 2020 and a 51% rise compared with the same period in pre-Covid 2019. Xu Haidong, CAAM Deputy Chief Engineer, said the surge in exports is related to changes in global vehicle production. GM and Ford are shutting money-losing plants in some Asian countries, including India and Thailand. Chip shortages and the Covid pandemic are forcing carmakers from Toyota to Volkswagen to cut their production as well. Chinese carmakers have also felt the shortage of semiconductors, which contributed to a reduction in combined projections for production of around 2 million units in 2021. However, thanks to effective Covid controls, vehicle supplies from China have held up. In the first nine months, 18.24 million vehicles were made in China, up 7.5% from the same period in 2020, according to the CAAM.

**China has become a major producer of Tesla models for global markets, with over 100,000 exported this year.** “Due to strong U.S. demand and the optimization of costs on a global scale, we have completed the transition of Gigafactory Shanghai as the primary vehicle export hub,” Tesla said in July. The fundamental reason for the growing popularity of Chinese vehicles is improving quality and service, which enhances their reputation, as well as novel features largely absent in rival products, Xu said. SAIC Motor Corp, China’s largest vehicle-maker by sales, sold over 441,000 vehicles overseas in the first three quarters of this year, up 99.6% from the same period last year. The carmaker expects sales to reach 550,000 units during the whole year. SAIC Motor has set up around 1,000 dealerships and service outlets in some 70 countries and regions. SAIC’s guiding strategy is to offer new and different options, said Yu De, Managing Director of SAIC’s International Business Department. In emerging markets, for example, the carmaker highlights its smart connected vehicles – which can connect to the internet and communicate with other devices – while in developed

markets like Europe, new energy vehicles (NEVs) have served as an entry point.

Xu at the CAAM said NEVs are a good way for carmakers to explore the European market. European countries are offering generous subsidies to buyers of new energy vehicles, but most local products are hybrids, which creates a competitive edge for pure electric vehicles that Chinese carmakers excel in. In the first half of this year, SAIC delivered over 12,000 electric vehicles and plug-in hybrids in Europe, accounting for almost 60% of all its sales on the continent. “Our rivals are local European brands. In France, they are Renault, Peugeot and Citroen,” said Liu Xinyu, President of SAIC’s French subsidiary. “Our two models in France have five-star safety ratings and we offer a seven-year warranty, which is the longest in the market,” Liu said.

Maxus, a SAIC subsidiary, sold 5,446 vehicles in Europe in the first half of this year, up 187% from the same period last year. Many of Maxus’ big customers in Europe are delivery firms, including Royal Mail, Irish National Post, DHL and FedEx. The company recently beat Renault and Mercedes, winning an order for 750 units from DPD’s British subsidiary. It was the largest single British order for China-made vehicles. Iceland’s oldest shipping company, Eimskip, also placed orders for Maxus’ vans, which will be the first electric vehicles in its fleet. Harris Automotive, Maxus’ sole agency in the United Kingdom, expects the brand’s sales to at least triple this year in the country.

**Other Chinese carmakers such as BYD, Nio and Xpeng have entered European markets as well.** In September, BYD shipped over 1,000 electric Tang SUVs to Norway, the country which has seen the quickest growth in electric cars. BYD’s first Norwegian customer, Per Lian, a salesman at a building ventilation company, said Norwegians would have no qualms about buying Chinese cars given the affordable price and good range. “Most important are the prices – if you want to buy a Tesla, it is maybe double,” Lian said in an interview with the Financial Times. Thanks to its vehicle quality and battery technology, BYD is the bestselling NEV maker in China. Last month, it delivered over 70,000 vehicles to Chinese customers, 20,000 more than Tesla.

XPeng started to export its smart electric P7 to Norway in August, after its G3 had made its way to the European market almost a year earlier. One month later, Chinese startup Nio opened its first European showroom in Oslo, Norway, with another four planned in 2022. The first model is its flagship SUV ES8, which rivals products from premium brands such as Audi and Mercedes-Benz. Nio said the second model will be the ET7 sedan, which will arrive in Norway in 2022, “There is real competition in Norway now. Norway is the country with the greatest variety of EV models available,” said Christina Bu, Secretary General of the Norwegian EV Association, as reported by the China Daily.

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### CHINA NEWS ROUND-UP

#### Foreign and domestic suppliers to be treated equally in government procurement

The Chinese government has pledged to treat suppliers from home and abroad equally in terms of government procurement, as it aims to safeguard a level playing field in accordance with the nation's foreign investment law and protect foreign companies' legal interests, the Ministry of Finance said. The measure will help to build a unified and open government procurement system that encourages fair competition, which is necessary as China prepares to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It will also encourage the development of foreign investment in China, experts said. In government procurement, goods and services in China, either provided by domestic or foreign-funded enterprises, will be treated equally, except for those involving national security and state secrets. Suppliers will not be subject to differential or discriminatory treatment in the release of government procurement information, certification, qualification examination and evaluation standards, the Ministry of Finance said.

Government departments should not limit goods and service providers by ownership and organizational form, ownership structure, nationality, brand or other "unreasonable conditions", according to the statement. Improving a market-based government procurement system that encourages fair competition between domestic and foreign enterprises is in line with internationally prevailing economic and trade rules, said Wang Zecai, Researcher at the Finance Ministry's Chinese Academy of Fiscal Sciences. "Fair treatment of domestic and foreign-funded enterprises is a basic policy that China has employed for a long time. The promotion and protection of foreign investment reflects policymakers' strategic decision to further open the market, which will help China to become the most attractive destination for foreign investment," he added.

Wang said that the move may promote the government's demand for goods provided by foreign suppliers in the field of green energy conservation and environmental protection, such as green construction materials, energy-saving computers and products in the fields of medicine and healthcare. The total amount of government procurement reached CNY3.697 trillion last year, up 11.8% year-on-year, which accounted for 10.2% of annual fiscal expenditure. It was 3.6% of total GDP in 2020.

#### Geely Auto to produce its own chips in 2022

Geely Auto is scheduled to produce China's first automotive grade seven-nanometer system-on-a-chip in 2022, as the nation's largest private carmaker accelerates its efforts to produce autonomous vehicles. The chip, called SE1000, is to be used to offer smart onboard features, said Geely CEO Gan Jiayue. The intelligent car control chip is designed by Siengine, a Hubei province-based joint venture established by ECARX. Gan said it will roll out two five nanometer high-performance chips from 2024 to 2025. One of them, with a computing capability of 256 tera operations per second, will be used for Geely's autonomous vehicles. "Geely is to commercialize Level 4 autonomous driving by 2025 and have the complete know-how of Level 5 autonomous driving," Gan said. The Society of Automotive Engineers International defines six levels of automation from Level 0 to Level 5. It said Level 4 means the vehicle can operate itself in most of circumstances while L5, also known as full driving automation, requires no human participation at all.

Cui Dongshu, Secretary General of the China Passenger Car Association (CPCA), said it makes sense that carmakers develop chips because smart vehicles with autonomous features are more reliant on chips than current vehicles, whose production has already been crippled by global chip shortages. McKinsey Partner Ondrej Burkacky estimates that chips used to enable autonomous driving functions will generate USD29 billion in revenue by 2030, up from USD11 billion in 2019. Chips and autonomous driving are one of nine goals that Geely announced on October 31 for 2025 to stay competitive in the fast-changing automotive industry. Other goals include earmarking CNY150 billion for investment in five years and launching 25 electric and plug-in hybrid models by 2025. The continuous investment and new models are expected to propel its annual sales to 3.65 million vehicles by 2025, of which 600,000 will be sold overseas, said the carmaker.

Geely sold 921,796 vehicles in the first three quarters, up 5% annually or around 60% of its sales goal of 1.53 million this year. Gan said Geely's sales have been affected by the Covid-19 pandemic and the sweeping chip shortages, saying that it had over 100,000 vehicles on its order book by the end of September.

SAIC Motor, China's largest carmaker by sales, and Great Wall Motors, have become investors in Beijing-based startup Horizon Robotics. In July, Horizon unveiled its latest automotive-grade processor – Journey 5 – designed for L4 autonomous driving, with up to 128 tera operations per second of AI computing power, the China Daily reports.

## China rejects new commitments to WTO

**China should not assume responsibilities outside its commitments to the World Trade Organization (WTO)**, Chinese officials and WTO experts said, noting that China acknowledges concerns raised by some of its trading partners and will further open up its economy to the world. China will take seriously questions, complaints, and even criticism raised by other WTO members, but will not accept criticism based on expectations or requirements beyond the WTO provisions, as such criticism is unreasonable and unfair, China's Vice Minister of Commerce Wang Shouwen said at a press conference. China has already fulfilled its obligations under the WTO, and has also delivered its commitments, which has been broadly affirmed and recognized by several WTO Directors General and most WTO members, Wang said. The press conference was held to address media concerns on the latest WTO policy review of China's membership in late October. A number of WTO members, including the U.S., the EU, Australia, Japan and India, confronted China with issues of what they consider as "unfair" trade practices by China, market access and distortion.

"Some WTO members raised concerns or expectations in some areas, which may have exceeded WTO regulations. It is inappropriate for them to say that China has not fulfilled WTO obligations based on their expectations beyond WTO," said Wang. For example, in terms of intellectual property protection, there is a big difference between the provisions of the WTO's IP agreement and the provisions of some free trade agreements. It would be inappropriate if the WTO requires China to implement IP protection provisions of some high-standard free trade agreements, Wang noted. Some WTO members also expressed their hope that China would further widen its market access, which is understandable, but Wang said that "it is unreasonable, unfair and unacceptable to accuse China of not having fulfilled WTO rules." "It is another case of trade being politicized, and it shows that some trade experts are hijacked by the stance of their respective governments," Huo Jianguo, former President of the Research Institute of the Ministry of Commerce (MOFCOM), told the Global Times.

China became a member of WTO on December 11, 2001, and it is now the world's largest trading country and a major trading partner of over 120 economies. A total of 65 representatives made comments and asked a record of 2,562 questions to China on video, which was 16% more than those for the seventh review three years ago, Wang said. "China has strictly implemented the rulings on specific cases made by the WTO's dispute settlement mechanism even if such rulings are detrimental to China. As long as it is a WTO ruling, we will recognize and enforce it," Vice Minister Wang said. He noted that there was so far no case in which the accusing party applied for retaliatory measures because China did not accept a WTO ruling, the Global Times reports.

## Hurun Rich List includes 520 newcomers with net worth of more than CNY2 billion

**A total of 2,918 Chinese entrepreneurs who have a net worth exceeding CNY2 billion are listed in the Hurun**

**China Rich List 2021**, 520 of them newcomers. The increase in newcomers was three times more than 10 years ago. Zhong Shanshan, 67, Founder of beverage company Nongfu Spring, topped the list with a net worth of CNY390 billion, up 7% year-on-year. The market value of two listed companies that Zhong founded – Nongfu Spring and Beijing Wantai Biological Pharmacy – grew by 10% and 40%, respectively, over the past year. Both companies are controlled by parent company Yangshengtang Group, in which Zhong holds a 98.38% stake. Zhang Yiming, 38, Founder of ByteDance, an internet technology company, shot up 28 places to second position on the Hurun Rich List this year as his wealth has tripled over the past year to CNY340 billion. Last year, ByteDance's sales revenue doubled and the number of its global monthly active users reached 1.9 billion.

The new-energy sector came under the spotlight in 2021 amid the country's multiple efforts targeting peak carbon emissions and carbon neutrality, with eight of the 10 fastest risers related to the sector. Zeng Yuqun, 53, Chairman of CATL, an electric car battery provider, tripled his wealth to move to No 3 with CNY320 billion. Jack Ma, last year's richest person, dropped four places to fifth with CNY255 billion, after Ant's listing was suspended and Alibaba was fined a record CNY18.2 billion for monopolistic practices.

The total wealth of the richest people surged 24% year-on-year to CNY34 trillion in the 23<sup>rd</sup> edition of the Hurun list. Up to 45 entrepreneurs saw their individual net worth surpass CNY100 billion each this year. A decade ago, there was not a single Chinese who was worth more than CNY100 billion.

The net worth of TikTok Founder Zhang Yiming increased three times against last year's figure and surpassed Ma Huateng, also known as Pony Ma, Founder of Chinese tech giant Tencent and Jack Ma, Founder of Alibaba. Zhang took second place with CNY340 billion of personal wealth. For the first time, not a single real estate entrepreneur was listed in the top 10. Due to property giant China Evergrande's debt crisis, Founder Xu Jiayin, who topped the list in 2017, fell to 70<sup>th</sup> from fifth last year, and he was also the entrepreneur which dropped the most in the 2021 list with CNY73 billion of personal wealth. In the personal tutoring sector, which is under regulatory scrutiny by the authorities, the net worth of Zhang Bangxin, Foudner of U.S.-listed education company TAL Education Group, witnessed the largest decrease by 94%. The net worth of Yu Minhong, Founder of New Oriental, shrunk from CNY26 billion to CNY7.5 billion.

Wei Jianjun, Chairman of Great Wall Motors, saw his family wealth jump five-fold from 2020 to CNY173 billion. He and his wife claimed seventh position on the list, up 89 places from last year. Zhang Xinghai, Chairman of the Chongqing-based new energy vehicle maker Sokon Group, saw his family wealth rise to CNY22 billion, reporting the largest annual increase of 750% among all entrepreneurs on the list.

"We can see which industries and business models are on the up and which are on the way down. New energy has had an amazing year, while real estate, home tutoring services, pork production and video gaming have had a bad year," Rupert Hoogewerf, Hurun Report Chairman and Chief Researcher, said, as reported by the Global Times.

## Xiaomi to offer tailor-made products to corporate customers

Chinese tech company Xiaomi is branching into the enterprise market, as it leverages its advantages in consumer electronics to tailor-make smartphones, TVs, and other products for corporate customers. The move is part of Xiaomi's broader push to increase its revenue sources, and more importantly, build its artificial intelligence powered internet of things (AIoT) ecosystem. Wang Xiang, President of Xiaomi, said the company branched into the "to business" (To B) market because it now has the capability and opportunity to empower more industries to boost efficiency. "We now have very strong hardware manufacturing experience, and use the internet mindset to improve efficiency in production, manufacturing, and sales of hardware. That is the core of Xiaomi, and now we want to use such capabilities to empower more enterprises to boost efficiency," Wang said.

Xiaomi set up a new department focusing on the To B business on January 1. Bai Peng, Vice President of the new department, said the company's To B business includes two parts, namely, tailor-making products for corporate customers, and building smart ecosystems. The company is expected to customize about 600,000 to 700,000 terminals for corporate customers this year, mainly smartphones. The company will offer customized phones for industries such as e-commerce, finance, real estate and education. Xiaomi will also customize TVs for hotels, catering and other industries, as well as tailor-make smart speakers, tablets and other products. Bai said Xiaomi's enterprise service business is forecast to generate revenue of more than CNY2 billion this year, and it aims to achieve revenue of more than CNY10 billion in 2023. More than 374 million IoT devices, excluding the company's smartphones and personal computers, have been connected to Xiaomi's AIoT platform by the end of June. Over 7.4 million users have five or more IoT devices connected to Xiaomi's platform, and its smart home app now has 56.5 million monthly active users.

**In the second quarter of this year, Xiaomi surpassed Apple as the second largest smartphone vendor by shipments for the first time**, according to market research company Canalys. Lei Jun, CEO and Founder of Xiaomi, said earlier this year the company will step up efforts to safeguard its No 2 position and will be looking at becoming No 1 over the next three years. Xiang Ligang, Director General of the Information Consumption Alliance, said compared with internet companies which have also set their sights on IoT, Xiaomi's edge lies in its years of experience in hardware and the fact it has established a beachhead in that area since it is an early mover, the China Daily reports.

## COSCO Shipping increases stake in Piraeus port

China COSCO Shipping Corp, the country's largest shipping group, announced that it **has acquired an additional 16% stake in the Greek port of Piraeus**, marking a fresh step in turning the port into a major international transit hub for products and services between Asia and Europe. It raises the Chinese company's stake in Piraeus Port Authority (PPA) to 67%. Under the agreement signed between Greek government-owned Hellenic Republic Asset Development Fund (HRADF) and COSCO Shipping in 2016, the Chinese investor paid €280.5 million to HRADF for the initial acquisition of a 51% stake in PPA. It will pay an additional €88 million within five years for the 16% in PPA.

The Port of Piraeus has already become a major trading and transportation hub for goods both ways, said Xu Lirong, Chairman of Shanghai-based COSCO Shipping. He added that Piraeus Port has been expanded, upgraded, linked to railway networks and saw robust growth, after COSCO Shipping began managing the port's container terminals in 2009. For the next step, he said the group will work with all partners to build Piraeus Port into a regional logistics hub, and open more shipping routes and railroads to enhance the port's competitiveness. The Chinese group has been using Piraeus Port as a transshipment hub for Asian exports to Europe arriving on container vessels from China, as it is the nearest western port to Egypt's Suez Canal. In 2010, shipping containers processed in Piraeus Port totaled 880,000 TEU, while in 2020 it reached 5.45 million TEU, despite the disruption caused by the Covid-19 pandemic.

"Thanks to its encouraging performance and infrastructure, the port is able to stay resilient in the face of the unprecedented turmoil caused by the pandemic," said Tassos Vamvakidis, Commercial Manager of Piraeus Container Terminal, a COSCO Shipping subsidiary. The Chinese operator has created more than 3,000 direct jobs and over 10,000 jobs in related services, contributing €1.4 billion in taxes, duties and social contributions, he added.

Purchasing a majority stake in Piraeus Port – already one of the fastest-growing harbors in Europe – will help China, Greece and other economies participating in the Belt and Road Initiative to enlarge their export volume and generate business opportunities in the services sector, said Zhou Zhicheng, Researcher at the Beijing-based China Federation of Logistics and Purchasing (CFLP). Piraeus' geographic location has the potential to become China's and Asia's gateway to Europe, as well as a major ship repair base and a cruise port in the Mediterranean. Piraeus Port currently has six major business segments, namely container terminals, logistics and warehousing, ship repair and building operations, cruise terminals, automobile terminals and ferry terminals. Its annual container throughput capacity has reached 7.2 million TEU, the China Daily reports.

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