

China Business Weekly

14 December 2021



FCCC/EUCBA ACTIVITIES

China Dinner: The Picanol Journey in China – 24 February 2022, 18h30, Ghent



After a long period of virtual events, our chamber is once again pleased to be able to put on some live events at which we can all once again meet one another in person. Our second event is an informal dinner which will take place on **February 24, 18h30** at Cercle Royal La Concorde, Kouter 150 in Ghent.

Mr. Johan Verstraete, Vice President Weaving Machines, Picanol Group is our guest speaker, and he will talk about Picanol's experiences in China.

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

Program:

18h30-19h00: Registration and networking.

19h00-19h05: Welcome by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce.

Speech & Dinner: Picanol's experiences in China, by Mr. Johan Verstraete, Vice President Weaving Machines, Picanol Group, and Board Member, Flanders-China Chamber of Commerce.

Panel discussion and closing remarks: Mr. Kurt Vandeputte, Senior Vice-President Government Affairs, Umicore and Chairman, Flanders-China Chamber of Commerce.

21h30: Finish

Practical information:

Date and time: February 24, 2022, 18h30-21h30

Location: Cercle Royal La Concorde, Kouter 150 in Ghent; Parking: Kouter

Price for Members: €75, + 21% VAT **Price for non-Members:** €95, +21% VAT

We will follow government guidelines, so we ask every participant to bring a Covid Safe Ticket.

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PAST EVENTS

Exclusive webinar with His Excellency Mr Zhang Ming, Ambassador of the People's Republic of China to the EU, Head of the Chinese Mission to the EU – 7 December 2021



The EU-China Business Association (EUCBA) and the China Chamber of Commerce to the EU (CCCEU) organized an exclusive webinar with **His Excellency Mr Zhang Ming, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU** on December 7, 2021. **He discussed the topic: 'Update on the economic and trade relations between the EU and China'**

Ms. Gwenn Sonck, Executive Director, EU-China Business Association, welcomed the speakers and participants to the second exclusive year-end dialogue with Ambassador Zhang Ming.

Mr Jochum Haakma, Chairman, EU-China Business Association, said that Covid-19 had deeply changed our world. The speed and efficiency with which China has tackled Covid-19 is really very impressive, but at present our biggest challenge for companies doing business in China is the fact that they cannot go to China due to the high number of Covid-19 infections in the European Union. As an understandable reaction there are strict rules and regulations to enter China, but we would like to know if there could be a fast track for businessmen to go to China, which is important for the continuation of business and for personal contacts. In these difficult times, the EU-China Business Association acts as an even more important bridge to promote the economic and trade relations between China and the EU. For the full year of 2020 the value of completed European FDI transactions in China reached about €9.5 billion, a decline 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. The value of completed Chinese FDI in Europe dropped to USD534 million in the second quarter of 2021. Automotive continues to be the top sector of Chinese investment in the EU, followed by health, pharmaceuticals, biotechnology and ICT. According to a survey of 80 European companies in China, despite the upheaval of Covid, 42% reported increased revenues in 2020, with automotive, machinery, IT and telecom, pharmaceuticals and the retail sector posting strong financials. European companies remain firmly committed to the China market. According to the IMF, China will contribute more than a fifth of global GDP growth over the next five years. There is still an enormous untapped potential from growth in the Chinese market. The 63% drop of Chinese investment in the EU is also partly due to the screening mechanism for FDI set up by the EU Commission, by which mergers and acquisitions from outside the EU can be blocked, but the EU member states have the final say in approving investments. In answer to the Chinese Silk Road, the EU has launched a new project under the name Global Gateway, where they are getting active in competing with the Belt and Road Initiative rather than cooperating with and integrating with this much older and by far the biggest logistical infrastructure project in the history of mankind.

Mr Xu Haifeng, Chairman, China Chamber of Commerce to the EU, said it is time to take stock of the past year and take a glimpse into the future. 2021 was a critical year for the development of China and the EU. China remains the EU's largest trade partner in goods. Chinese investors continue to opt for the EU as an important investment destination. Private capital amounts to 82% of Chinese investment in the EU. On 18th October, the CCCEU published its flagship report for 2021, for which it conducted an analysis of the Development of Chinese Enterprises in the EU. The 2021 Report is titled "Strengthening Mutually Beneficial Cooperation to Shape the Common Future", and it aims to provide a scientific and true reflection of the changes in the ease of doing business in the EU, and to represent the wishes and recommendations of Chinese enterprises to policymakers. According to the report, over the past 12 months Chinese companies in the EU achieved encouraging growth in turnover, number of employees, and

filed patents, thanks to the strong resilience of the European markets and of supply chains. The Chinese business community stays confident in the long-term development of China-EU economic relations, and ready to contribute to the bloc's twin green and digital transitions.

However, according to the flagship report, the ease of doing business in the EU in 2021 declined for the second consecutive year, with significantly lower scores for the political climate and the business environment in comparison to the past. This affected by a number of events, including the "freezing" of the debates on ratifying the investment agreement, and a series of new unilateral instruments in the trade sector, which have increased Chinese companies' concerns. The score for business confidence also received a blow due to worsened ties and the politicization of business. As a result, the CCCEU has proposed nearly 70 recommendations in ten key areas, with the aim of support EU policymakers in promoting dialogue and discussions between China and Europe, and in providing Chinese companies with an open and non-discriminatory business environment. The detailed content of this Report could be downloaded in both English and Chinese from the CCCEU's website.

H.E. Mr Zhang Ming, Ambassador of the People's Republic of China to the EU and Head of the Chinese Mission to the EU, said that in 2021, despite the ongoing pandemic and the weak recovery of the world economy, the business communities of China and the EU have done a remarkable job. Thanks to their efforts, China-EU business cooperation has grown momentarily. In the first 10 months of this year, China-EU trade reached USD670.4 billion, exceeding last year's total trade volume, representing an increase of 30% year-on-year. There is no doubt that the achievements and the resilience of China-EU economic and trade ties are a powerful response to those who advocate decoupling and undermine China-EU cooperation. We also have to note that the bilateral investment between China and the EU is decreasing. Our discussion can help us reverse the situation. At the end of last year, after seven years of negotiations, the two sides finally reached a comprehensive, balanced and high-quality investment agreement. This is highly important for market access and a level playing field for companies of both sides. In March this year the agreement on geographical indications came into force. The unified high-level protection system enables people from both sides to buy each other's products. Last month, China and the EU reached common ground on sustainable finance, providing guidance for green investment.

As the world's largest market, China has 1.4 billion people who aspire for a better life, among them are more than 400 million middle-income consumers. There is huge space for the consumption growth of one billion people. Committed to further opening-up, China has revised its list for foreign investment for four consecutive years, reducing the number of items on the list from 93 to 33. This list will become even shorter. Not long ago, President Xi mentioned that China will open its medical and telecommunications sectors. The profits and turnover of European enterprises in China reached a new high in 2020 and 60% of them hope to further extend investment in China. China has become the world's most important market for many companies. The prosperity and opening up of the European market is also a driving force for China's economic development. China and the EU are deeply connected, offering each other opportunities and market demand.

In 2021, China-EU relations experienced twists and turns. In March, based on lies and disinformation, the EU imposed unilateral sanctions on China, which hampered bilateral relations. The China-EU investment treaty has been put on hold by the European parliament. In recent years the EU has been strengthening and expanding a series of economic and trade tool boxes which has made many business people worry about the future direction of the EU. CCCEU Chairman Xu talked about the screening mechanism as a result of which Chinese investment in the EU is declining. According to a survey by the CCCEU, the rating of the EU business environment fell for the second consecutive year. Many people asked me about the future trend of China-EU relations. It depends on how the EU views China and China's development. **In March 2019 the EU has proposed a triple positioning for relations with China which has severely impacted and disrupted the development of bilateral relations.** China opposed the triple positioning from the very beginning. Two years later you can look back and see what this triple positioning has brought the EU itself. China always believes that China and the EU are partners, not rivals; they are each other's opportunities, not challenges; cooperation is the right word, confrontation will bring no winner. China has always been committed to mutual respect, seeking common ground while shelving differences and striving for common interests. By making the pie bigger, as two major forces, two markets and two civilizations in the world, China and the EU have a joint responsibility of maintaining world peace and stability, and promoting common development and prosperity. Our common interests far outweigh our differences. We have a thousand reasons to be partners and not one reason to be rivals. It is clarifying that some people in Europe have taken note of the present state of China-EU relations. Recently we have heard comments that China and the EU should reengage in trade. In an article a member of the European Parliament said that economic nationalism and isolationism are bad for all players in the international arena. The trade volume of over €1 billion illustrate that our interests are interdependent. China and the EU have adopted an effective approach to manage differences over the past decades but key is to maintain equal standing and adhere to the principle of dialogue and mutual benefit and jointly building a healthy, stable and future-oriented relationship.

In the past two years we have both come to appreciate more than ever the significance of a community with a shared future for mankind and the importance of openness, cooperation, multilateralism, dialogue and consultation. We should work together and go hand-in-hand instead of letting go each other's hand. We must build bridges and dismantle the walls instead of dismantling the bridges and building walls. We must uphold common values and the multilateral trading system. This year marks the centenary of the founding of the CPC, the beginning of China's 14th Five Year Plan and a new year to comprehensively build a modernized socialist country. This year also marks the 20th anniversary of

China's entry to the WTO. China's opening up has promoted development and brought opportunities to the world economy. Openness has become the defining feature of contemporary China. As China enters the new era it will remain committed to opening up at a higher level, sharing development opportunities with the rest of the world and making economic globalization more open, inclusive, balanced and beneficial to all. We welcome European companies to participate in China's development, share the development opportunities in China and achieve greater success. We also expect that Chinese companies investing in Europe will be treated fairly and indiscriminately.

As 2021 is coming to a close, my mission in Brussels is also coming to an end. Ambassador Zhang said that over the past four years, he has had the honor of witnessing many historic events in China-EU relations. In the economic and trade field he witnessed China become the EU largest trading partner, the conclusion of the investment agreement between China and the EU and the strong resilience and vitality of China-EU cooperation, facing Covid-19. He also had the honor of making many friends in industrial and commercial circles. The EU-China Business Association, the China Chamber of Commerce to the EU, the EU Chamber of Commerce in China, BusinessEurope and others talked with him many times about their wishes, plans, difficulties, suggestions and even criticisms and complaints. Together with his colleagues, he has always treated them as friends and tried their best to help them with their plans and overcome difficulties and also encourage the central and local governments to adopt policies and measures in response to their suggestions and criticisms in order to further open up and improve the business environment. Of course, he always asked for their patience and confidence.

Ambassador Zhang said: "I have been a farmer, and I have seen the cordial work and life at the farmhouses in Wallonia. I have learned how much they hope to sell their cheese, beef, and grains to distant Chinese markets. In Zeebrugge, I saw Volvo car parts and finished cars being transported by the China-Europe Express. At the headquarters of Bekaert, I was awed by this century-old company's outstanding innovation ability and its persistence and tolerance for cooperation with China. At IMEC, I learned that their cooperation projects with China are among the best. The famous Dutch ASML regretfully told me that the cooperative project they were eager to complete was artificially shelved. In the south of France, I was excited for the international nuclear fusion science project jointly participated in by China, the European Union and eight other parties. Such cooperation will make the homeland of mankind cleaner and more beautiful! Of course, my list of regrets is also very long. The end of the epidemic is not in sight; the China-Europe investment agreement is still in the deep freeze; the idea of taking a look at the Croatian Peljesac Sea-crossing Bridge built by Chinese companies was not realized; the goal for the number of Chinese tourists to Europe to reach new heights is also not realized due to the pandemic, and so on. The fundamentals of China-EU trade cooperation, which is mutually complementary in nature, will not change, nor will be the direction of making progress amid sound competition. I hope China and the EU will seek common ground while shelving differences, expand consensus and work together to improve the well-being of our peoples and promote world prosperity and stability. Ending his speech, Ambassador Zhang wished everybody a safe, happy and peaceful Christmas and New Year.

Q&A session. The EU has approved human rights sanctions, including those on four Chinese officials and one Chinese entity. How will the EU decision affect bilateral trade relations? Ambassador Zhang: The two sides have a mature approach to solving problems. Those that cannot be solved for the time being should be managed through communication, but unilateral sanctions should not be used. The EU sanctions have caused difficulties in relations and are not constructive. China has done a lot to prevent the downward spiral in China -EU relations. Not long ago, Presidents Xi Jinping and Michel reached consensus and are actively preparing for the next China-EU summit. Regretfully, the EU has decided to extend the sanctions against China and the atmosphere of the relations may be affected further. It is not in line with the fundamental and long-term interests of China and the EU.

Will the CAI be ratified in 2022, what are the main obstacles and what will China do? Ambassador Zhang: The CAI is a high-level agreement of mutual benefit and all parties have high expectations. China will honor its commitments, including for the CAI. China has not stopped its work to ratify the agreement. The current obstacle is that the EU has frozen the process. The ball is in Europe's court. The key to solve the problem is to return the agreement to its economic nature. It aims to regulate China-EU economic trade and investment activities and solve the problems in economic and trade cooperation. It is not the master key to open all doors. If some people insist on resolving all differences and problems between China and the EU, I don't think they want to solve the problems.

Strategic autonomy has become a catch phrase in the EU's policy and China has reaffirmed its support for it. What are your thoughts? Ambassador Zhang: China supports the EU's autonomy proposal because it is in line with the EU's positioning as a global power. It is a matter for Europe and the U.S. to strengthen interaction. China has never opposed dialogue and cooperation between Europe and the U.S. China-EU relations have their own value and should not be subordinate to major power relations. China-EU relations are not directed against any third party.

Do you expect more obstacles, difficulties or uncertainties in China-EU relations? Ambassador Zhang: When a new government takes office in a country it often needs a period for developing internal and external relations, but cooperation and mutual benefit are the mainstream and essence of China-EU relations, which will not be changed by individual events. It is essential to ensure smooth communication, properly manage differences and expand cooperation. Germany is the largest trade partner of China within the EU. China and Germany have set up a high-level government consultation mechanism and have held six rounds of consultation so far. After taking over the EU rotating presidency, we hope France will play a positive role in China-EU relations.

On December 1, the European Commission launched the Global Gateway, compared by some to China's Belt &

Road Initiative. Could there be synergies between the two? Ambassador Zhang: Infrastructure is lacking in developing countries and is crucial to their development. China has carried out many projects in the framework of South-South cooperation. China sincerely welcomes all to help developing countries build infrastructure and promote common development whether it is the BRI, Global Gateway or Build Back Better. It is all about pursuing our common international responsibilities and achieve the goals of the 2030 agenda for sustainable development. This is similar to the concept of common prosperity in China. If we turn infrastructure into a geopolitical game it will be wrong. The China-Europe freight train built during the Covid pandemic has been called a lifeline.

What is your assessment of Cop26 and further cooperation between China and the EU on the green economy? Ambassador Zhang: Cop26 is of great significance for the implementation of the Paris agreement. It is important to show ambition in tackling climate change, but what is more important is action and cooperation. China has issued the action plan for carbon peak by 2030 and the carbon neutralization goal. China and the EU have made solid progress in the green economy cooperation.

What can China do to support the development of the EU's digital economy? Ambassador Zhang: It is in the common interests of China and the EU to promote practical cooperation in the digital economy. Last year, China and the EU established a high-level digital dialogue mechanism. China and the EU have respective strengths and common interests and concerns. Some say the EU is stronger in rule making and China is more focussed on market applications. It shows the complementarity of both sides. Rules and markets are like two sides of the coin. China and the EU should not only open up their markets but also work together to establish rules in the global digital field.

Will the next step be the conclusion of a free trade agreement? Ambassador Zhang: So far, China has concluded 19 FTAs with 26 countries. Recently China applied to join the CPPCC. Trade is important in the post-Covid-19 recovery. It would be a pity not to have a FTA between China and the EU. At least both sides could carry out a joint feasibility study. We hope the EU will be more active in this regard. China is open to negotiate an FTA.

Do you agree with the assessment that the Democracy Summit in the U.S. is divisive? Ambassador Zhang: Democracy is the common value of all mankind. It is not the patent of a few countries. Whether a country is democratic or not should be judged by its people, not by a handful of outsiders. The U.S. divides countries and regions into different categories based on its own likes and dislikes. If it is not an action that divides the international community, what can we call it? This action runs counter to the spirit of democracy and smells of Cold War confrontation, which will only bring instability and chaos to the world.

What are the biggest challenges for the China's economy in 2022? Ambassador Zhang: Countries in the world are facing common challenges such as rising energy prices, inflation and debt accumulation. China is no exception, but China's GDP grew by 9.8% year-on-year in the first three quarters of this year and macro indicators stayed in the proper range. The employment situation is basically stable and China's recovery took the lead in the world. China will run its own affairs well.

What is the possibility of China reopening its borders and allowing travel? Ambassador Zhang: Travel restrictions have brought some inconvenience for businessmen traveling to and from China. On the other hand it has created conditions for European enterprises in China to operate normally. I cannot predict how the situation will evolve but China more than anyone else needs to resume normal entry and exit at an early date. We will continue to optimize the fast channels especially for businessmen.

Mr. Haakma delivered concluding remarks and thanked Ambassador Zhang for four years of cooperation.

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HEALTH

New Covid-19 outbreaks in Zhejiang province, as China approves first antibody cocktail treatment



New local Covid-19 outbreaks have been reported in several provinces in China and the first case of the Omicron variant in mainland China has been detected in an asymptomatic passenger arriving in Tianjin from abroad..

Zhejiang Province has reported 192 locally transmitted cases in Shaoxing, Ningbo and Hangzhou. Ten of the cases in Ningbo were related to a moxibustion therapy salon, while in Shaoxing, 18 were associated with a funeral. Eleven of the 18 were close relatives and seven were distant relatives or friends. More than 9.45 million people took nucleic acid tests. Some cities in the province have imposed restrictions on public activities as part of anti-epidemic measures. Public places, such as libraries, museums, internet cafes, and chess and card rooms, have been asked to limit visitors at 75% of their total capacity and register visitor information. Meanwhile, the city of Manzhouli in Inner Mongolia on the border with Russia has reported more than 498 locally transmitted confirmed cases in the latest resurgence of the epidemic. All of them are receiving treatment at a designated local hospital. The border city has launched 11 rounds of mass nucleic acid testing.

Experts called for an intensified effort to have elderly people vaccinated as the latest epidemic resurgence that started in Manzhouli has already affected four other provincial regions including Beijing. Some 50 million elderly people haven't received vaccines so far, accounting for 20% of the total number of people over 60 in China. Respiratory expert Zhong Nanshan said that 75.8% of the people in China have been fully vaccinated but to reach herd immunity the vaccination rate should reach 83%, thus the vaccination of seniors is essential.

The American Chamber of Commerce in China (AmCham China) said in a statement that a U.S.-China travel fast-track program has been approved by relevant Chinese authorities and it was working to implement the program early next year. During the China-U.S. leaders' summit in November, China agreed to

upgrade a fast-track arrangement to make it more convenient for the U.S. business community to travel to China. The purpose of the fast-track arrangement is to provide a more efficient, predictable and reliable channel for essential U.S. company executives, technical personnel and their family members to come to China. The program also ensures that those living in China who left the country for family or business reasons are eligible to return to China. To be eligible to apply for the fast-track program, travelers must be employees of a U.S.-registered company with a business license in China and a member of AmCham China, AmCham Shanghai or the USCBC. Chinese Ambassador to the U.S. Qin Gang told a dinner hosted by the USCBC in early December that China will cut to no more than 10 days the time required for approval of travel by U.S. business executives, and would work to make Covid-19 testing more convenient and allow executives to work during quarantine.

China authorities have approved the use of a monoclonal antibody cocktail created by Brii Biosciences for the treatment for Covid-19, making it the first antibody combination therapy against the disease to get the green light in the country. The treatment – a combination of the amubarvimab and romlusevimab antibodies, previously known as BRII-196 and BRII-198 – has been approved to treat mild and moderate cases with a high risk of progressing to hospitalization or death, according to the National Medical Products Administration (NMPA). Since June, nearly 900 patients in China have undergone the treatment to quell local outbreaks from Liaoning to Guangdong province. Brii Biosciences has also filed an emergency use application for the medicine in the United States. The antibody cocktail was jointly developed by Brii Biosciences, Tsinghua University, and the Third People's Hospital of Shenzhen, Guangdong province. The therapy has a good safety profile and can reduce the risk of hospitalization and death by 80%. Rogers Luo, Brii Biosciences President and General Manager in China, called the antibody cocktail's approval an "important milestone".

Some Chinese cities have lowered the prices of Covid-19 nucleic acid tests at public hospitals, while some plan to do so soon, as part of the Chinese authorities' efforts to lower prices as new cases emerged in several places. The cities of Luoyang and Jiyuan in Henan province will cut the price to CNY30 for a single person and CNY10 per person for a group. Cities in Hainan and Sichuan provinces and Tianjin municipality have also reduced prices. Massive nucleic acid testing is a key tool to prevent and control the Covid-19 epidemic in China.

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

FOREIGN TRADE

China celebrates 20-year membership of WTO; foreign trade increases 22% in first 11 months of 2021



China is celebrating the 20th anniversary of its entry into the World Trade Organization (WTO) on December 11, 2001 after 15 years of negotiations. The nation would continue to reduce items on the negative list for foreign investment, and strengthen services and protection for foreign enterprises and related projects, Ministry of Commerce Spokesman Gao Feng said. With a constantly improving business environment governed by law that is up to international standards and market oriented, China hopes foreign investors will benefit from the country's growth dividends, he added. Since joining the WTO, China has dramatically increased its exports to become the world's undisputed champion in this field. Analysts said China will continue to contribute to global economic growth, especially at a time when industrial and supply chains worldwide are experiencing difficulties due to the Covid-19 pandemic.

Tu Xinquan, Dean of the China Institute for WTO Studies at the University of International Business and Economics in Beijing, said, "China has benefited from its accession to the WTO, but more importantly, by joining the multilateral trading system, it has enhanced the operational efficiency of the world economy and improved the use of global resources, making a huge contribution to international economic growth." China's accession to the WTO enabled the nation to incorporate its own resources, including labor, land and natural assets, into the global economy at a much deeper level and on a much larger scale, accelerating the nation's economic growth, Tu said.

Contributing nearly 30% on average to global economic growth over the past 20 years, **China's international trade has grown six-fold since its accession to the WTO.** Its share of global exports jumped from 4.3% to 15% from 2001 to 2020, while its import value rose from 3.9% to 11.7%. **China's GDP jumped by 816.4%, and per capita GDP increased from CNY8,717 to CNY72,000,** enabling it to have the world's largest middle-income population. To facilitate imports, China has lowered import tariffs for goods

to 9.8% from 15.3% when it joined the WTO 20 years ago. At present, its overall import tax stands at 7.4%, lower than the average level of developing members of the WTO and it is approaching the level of developed members of the organization. The time to clear goods at Customs has also been greatly shortened. It now usually takes 36.7 hours for imports to be cleared, down 62.3% compared with 2017.

China has also widely opened its market in services. The WTO accession protocol and relevant working group reports stipulated that 100 sub-sectors in nine categories needed to be opened in 2007. Currently, China has opened nearly 120 sub-sectors, exceeding its commitments. The world's sixth-largest economy when it joined the WTO, China has risen to become the second-largest. Over the past 20 years, China has risen from sixth place in the world to first for its trade in goods, and from 11th place to second for its trade in services. It has also become the world's largest exporter and second-largest importer. With a population of 1.4 billion and a middle-income group of more than 400 million, China's annual imports of goods and services are valued at about USD2.5 trillion.

Still, China is now facing the challenges of deglobalization, the persistent pandemic and looming climate change. Moreover, the U.S. is promoting protectionism and aims to convince countries within the WTO to contain China.

China's foreign trade in the first 11 months of this year rose 22% year-on-year to CNY35.39 trillion, surpassing the figure for the whole of last year. The trade figures are even more conspicuous in U.S. dollar terms amid the yuan's strength. **The country's exports and imports rose 31.3% year-on-year to USD5.47 trillion in U.S. dollar terms.** Growth in both exports and imports for November beat market estimates. In November, dollar-denominated exports registered a growth of 22%, while import growth hit 31.7%. The jump in imports in November was largely due to the China International Import Expo (CIIE) held at the beginning of the month and the steady basis of the Chinese economy, Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times.

ASEAN maintained its position as China's largest trading partner, as trade with China rose 29.8% to USD789.53 billion in the January to November period. **China's trade with the EU jumped by 29.2% to USD747.63 billion,** while, trade with the U.S., China's third-largest trading partner, posted a surge of 30.2% to USD682.32 billion. In the first 11 months of 2021, China's exports to the U.S. increased 28.3% year-on-year, while imports grew 36.9%.

MACRO-ECONOMY

Stability, monopolies and housing focus of Central Economic Work Conference



The high-level three-day Central Economic Work Conference (CEWC), chaired by President Xi Jinping, concluded last week, emphasizing economic stability, curtailing monopolies and ensuring the healthy development of the real estate market.

The overriding theme was ensuring stable economic development. The word “stability” was mentioned 25 times in the summary of the meeting. China’s economy is facing three pressures: demand contraction, supply shock and weakening expectations. Due to the Covid-19 pandemic, the external environment has become more complicated, severe and uncertain. However, the meeting was confident that China’s economy is highly resilient and that its long-term positive fundamentals would not change. Chinese President Xi Jinping reviewed the country’s economic work in 2021, analyzed the current economic situation, and set targets for next year’s economic work, according to Xinhua News Agency.

The meeting emphasized **maintaining fiscal expenditure**, usually summarized in the stock phrase “proactive fiscal policy and a prudent monetary policy”, which should improve efficiency. Next year, the government will strengthen support for small and medium-sized enterprises, and individual industrial and commercial households. There would also be new tax cuts. Infrastructure investment will be accelerated to finish projects ahead of schedule. Oil exploration will be intensified and the building of waste recycling facilities accelerated. In agriculture, the focus is on improving the seed industry and agricultural machinery. “Chinese people’s rice bowls should be firmly in their own hands at

all times.” The meeting emphasized financial discipline and the need to reduce the debts of local governments. Banks and other financial institutions should increase their support for the real economy, especially small and micro enterprises, technological innovation and green development. Withdrawing traditional energy should be based on the safe and reliable replacement by new energy.

The meeting called for setting up a mechanism of “green and red lights” to strengthen effective oversight over capital. It called for the prevention of the “wild growth” of capital. Sectors that are monopolistic in nature, such as power grids and railways, will be reformed and foreign businesses will be offered equal treatment with their domestic counterparts and encouraged to invest in the sectors. Fair competition should be achieved through fair supervision.

The rental housing market will be stimulated and more affordable housing projects will be launched. The policy of “houses are for living in, not for speculation” is reemphasized. Support for the commercial housing market should lead to better meeting the reasonable housing needs of buyers. Many people in need of a home can’t afford one due to the high and still rising housing prices. **A three-year action plan for the development of science and technology** was approved with the aim of strengthening China’s capacity for scientific and technological innovation.

Finally, **the goal of achieving “common prosperity”** was discussed. To achieve common prosperity, we must first make the cake bigger and better before dividing it well through reasonable institutional arrangements. This is a long-term historical process, and we should steadily move towards this goal, the meeting concluded. No matter how the international situation changes, China must unswervingly do its own thing, continue to strengthen its economic foundation, strengthen technological innovation capabilities, adhere to multilateralism, take the initiative to standardize international economic and trade rules, and promote reforms with high-level openness and high-quality development, according to a summary by the Global Times.

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

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CHINA NEWS ROUND-UP

Premiers Li Keqiang and De Croo hold videoconference

China expects to boost cooperation with Belgium in key areas such as biomedicine and work with the country to address global challenges, Premier Li Keqiang said on December 7 in a videoconference with Belgian Prime Minister Alexander De Croo. The development of China-Belgium ties has maintained good momentum, Li said. China would like to tap the potential of cooperation with Belgium in areas such as biomedicine, micro-electronics, modern agriculture and science and technology, which are some of its competitive industries. Beijing will strengthen intellectual property protection in cooperation with Brussels so as to achieve mutual benefit and win-win results, Chinese Premier Li added. This year marks the 50th anniversary of the establishment of diplomatic relations between the two countries. President Xi Jinping exchanged congratulatory messages with Belgium's King Philippe in October to celebrate the event.

In 2014, the two countries decided to upgrade their relationship to an all-around friendly cooperative partnership, and fruitful results have been achieved in bilateral exchanges and cooperation. The bilateral trade volume reached USD28.6 billion in 2020, up 13.9% year-on-year, while Belgium's investment in China grew by 210%, a historical high. China has become Belgium's largest trading partner in Asia, according to Cao Zhongming, Chinese Ambassador to Belgium. The number of foreign students from both sides has exceeded 3,000, and the two countries have 32 pairs of sister cities. Premier Li Keqiang emphasized that China is ready to step up dialogue, coordination and cooperation with Belgium under multilateral frameworks to jointly address common challenges such as the Covid-19 pandemic. According to the China Daily, Belgian Premier De Croo said that Belgium cherishes the achievements of bilateral cooperation over the past five decades and will work with China to oppose trade protectionism.

China leads the world in 7 of 11 research areas

China led the world in seven out of 11 research areas this year in terms of active frontier research, surpassing the United States for the first time, according to the 2021 Research Fronts report, jointly published by the Institutes of Science and Development of the Chinese Academy of Sciences (CAS) and global analytics firm Clarivate. It identified 171 frontier research topics, including 110 "hot" and 61 emerging research fronts, which are divided into 11 broad research categories, from physics to clinical medicine. China achieved the highest scores in seven categories of the Research Leadership Index this year: agricultural, plant and animal sciences; ecological and environmental sciences; clinical medicine; chemistry and materials science; mathematics; information science; and economics, psychology and other social sciences. China ranked second in geosciences, biological sciences and physics, and eighth in astronomy and astrophysics, according to the annual report.

The United States scored highest in four major areas: geosciences; biological sciences; physics; and astronomy and astrophysics. It ranked second in the other seven categories. When ranking an individual country's overall performance across all 11 areas, the United States remains the world's most active researcher, scoring a total of 209.23 points. China was second with 191.43 points, up from 151.29 points last year. The gap in the Research Leadership Index scores between the two nations is less than 10%. China is only slightly more active than the U.S. in frontier research in clinical medicine, social sciences and information science this year, while the U.S. enjoys a substantial lead in geosciences and biological sciences, as well as astronomy and astrophysics, the report said.

Yang Fan, Researcher at the Institutes of Science and Development of the CAS, said a major reason for China's higher rankings is due a great deal to Chinese scientists publishing a large number of highly influential papers on Covid-19. Gao Hongjun, CAS Vice President, said the 8th annual report can help scientists and policymakers determine key research topics and trends by tracking emerging specialty areas of research. Of the 171 research fronts, 81 are led by the U.S., while China leads global research in 65 fronts. The two countries combined account for 85% of all the listed specialist research areas, the China Daily reports.

Rail transit expo held in Hunan province

The 2021 China International Rail Transit and Equipment Manufacturing Industry Exposition was held at the Zhuzhou Rail Expo Park in Zhuzhou, Hunan province, from December 8 to 11. He Baoxiang, Vice Governor of Hunan, said that the province is the country's largest base for the research and development (R&D), production and export of rail transit equipment, with an output value accounting for more than 30% of the country's total. It is home to 126 labs and innovation centers. "Holding the Expo is of great significance for building a strong nation in transport and enhancing the high-quality development of the rail transit industry," said Feng Yaoxiang, Director of the Trade and Investment Promotion Department of the China Council for the Promotion of International Trade (CCPIT). Titled "Smart Tracks, Connecting the Future," this year's expo is conducted both online and offline, covering 60,000 square meters and attracting more than 800 domestic and foreign companies.

Concurrent with the Expo, a series of forums were held, such as the China-U.S. Rail Transit International Cooperation Roundtable Forum, Hunan Rail Transit Industry Promotion and Project Consultation Conference, Urban Rail Transit Construction Investment and Financing Forum, China International Rail Transit and Equipment Manufacturing Industry Expo Talent Summit as well as 10 market-oriented supporting events. Six Academicians, 19 well-known experts and many influential entrepreneurs discussed the new trend in the rail transit industry and exchanged views on industrial innovation and development. During the Expo, 70 investment projects in the rail transit and equipment manufacturing industry in

Hunan were launched, with a total investment of CNY121.63 billion.

The first session of the Expo was held in Changsha in October 2019. It attracted 406 exhibitors and 30,000 visitors with the release of 107 new products and technologies, 28 cooperation projects signed, and a contract value of CNY2 billion. China's high-speed railway operating mileage, urban rail transit operating mileage, and railway electrification rate rank first in the world. **Zhuzhou is the world's largest rail transit manufacturing base with the strongest supporting facilities and leading technologies.** Zhuzhou rail transit products are exported to more than 70 countries and regions, and its **global market share of electric locomotives is 27%**, ranking first in the world. The total output value of Zhuzhou's rail transit equipment industry cluster reached CNY131 billion in 2020, the China Daily reports.

Chinese companies expanding facilities for battery recycling

A group of Chinese companies, including Contemporary Amperex Technology Co (CATL), announced plans to build or expand facilities for battery recycling, as China, the world's largest new energy vehicle market, is ramping up battery recycling capacity for sustainable development. CATL will build a battery material recycling facility in Hubei province with an investment of up to CNY32 billion, covering EV battery recycling. Meanwhile, Chinese battery material producer Huayou Cobalt signed an agreement with Farasis Energy to cooperate in various areas, including spent battery recycling. According to the China Association of Automobile Manufacturers (CAAM), NEV sales are likely to surpass 2 million units this year.

According to Tianyancha, a market information provider, by the end of last month, the total number of Chinese companies engaged in EV battery recycling reached over 27,000. The number of newly registered companies in the sector surpassed 20,000 last year, accounting for 78.4% of the total. Decommissioned power batteries in China reached some 200,000 metric tons by the end of last year, the China Automotive Technology and Research Center (CATRC) said. The life span of power batteries is usually about six to eight years. CATRC said that 2025 will see a peak period of battery replacement, with 780,000 tons of old power batteries expected to be replaced by then.

As of the end of October, 171 companies had established over 10,000 NEV battery recycling service stations in 31 regions nationwide. The National Development and Reform Commission (NDRC) launched a plan earlier this year to step up the building of a traceability management system for NEV batteries. "China's electric vehicle industry has entered a new stage of rapid growth with the battery industry initially taking shape. It is strategically important for the country to have stable battery resources and a sound battery recycle system," said Wang Binggang, Honorary Consultant of the China Society of Automotive Engineering and an Academician of the International Eurasian Academy of Sciences, the China Daily reports.

Smartphone vendor Oppo developing its own chips

Chinese smartphone vendor Oppo will unveil its first self-designed chip this week, following in the footsteps of Huawei Technologies, Xiaomi and Vivo, and intensifying competition among the four major Chinese smartphone vendors to a new high, experts said. The company is holding its Oppo Inno Day 2021 in Shenzhen on December 14. As early as 2019, Chen Mingyong, CEO of Oppo, said the company would invest CNY50 billion by 2021 in R&D focused on research in 5G, 6G, artificial intelligence, augmented reality and other emerging technologies. The money has been used to finance efforts to develop core fundamental architecture for hardware, and boost software capabilities.

Xiang Ligang, Director General of the Information Consumption Alliance, said that from the perspective of industry competition, each generation of wireless technology is accompanied by a reshuffle among leading mobile phone brands. As smartphone hardware becomes increasingly standardized, chips have become a key point for major handset makers to achieve breakthroughs and differentiate themselves from rivals, Xiang said. But the chip industry has always been a capital and technology-intensive industry. The investment of domestic mobile phone companies in this field is just a starting point, he added.

Oppo said it will also unveil its first foldable smartphone, and target gaming enthusiasts with a new phone that features designs based on the popular game League of Legends. The limited Reno7 Pro League of Legends edition, unveiled last week, comes with plenty of special visual designs. Oppo ranked as the fourth-largest smartphone vendor in the world in the third quarter, with its smartphone shipments increasing 18% year-on-year, the fastest growth among the top five global mobile phone brands, the China Daily reports.

Hainan Airlines transferred from HNA Group to Fangda Group

China's fourth-largest airline – Hainan Airlines – has transferred its core aviation business to Liaoning Fangda Group Industrial Co, its strategic investor, as the carrier's parent company HNA Group is going through bankruptcy and restructuring proceedings. The airline said since a court's final ruling on October 31, its reorganization process has been going on smoothly, and substantial progress has been made in risk mitigation. Liaoning Fangda Group is a Chinese conglomerate involved in business sectors such as carbon, steel and pharmaceuticals. Earlier, Liaoning Fangda won the bid to become a strategic investor of Hainan Airlines over Shanghai Juneyao Group Co, parent of Juneyao Airlines, and Fosun International, a major Chinese industry player in the tourism sector.

In March, Hainan Airlines announced an annual loss of CNY64 billion for 2020, the highest loss ever by a listed Chinese company. In January, HNA said it had received notice from the Hainan High People's Court that creditors had sought bankruptcy as it failed to repay debts. **Since**

2010, HNA had been expanding its assets overseas and the total acquisitions at one point exceeded USD50 billion. It **acquired stakes in around 40 major companies**, including Deutsche Bank and Hilton Worldwide Holdings. HNA's acquisition spree drew scrutiny from Chinese and foreign regulators. It started to face mounting debts due to stricter controls and liquidity concerns, and began seeking buyers for its assets.

"Hainan Airlines has been a major carrier in China and it has a fleet of about 600 aircraft. The quality of the airline business itself is good, and there is no significant problem in the airline's operations and its safety management," said Lin Zhijie, an aviation industry analyst and a columnist at Carnoc, a major civil aviation website in China. **"HNA's troubles are mainly caused by the huge debts in the group's other sectors.** After restructuring, it should still be a healthy asset. Yet, the company still faces several challenges, including huge debts and the negative impact from Covid-19 on the aviation sector," Lin said. "In addition, HNA's internal governance problems, such as a lack of internal controls and aggressive investment, still need to get further corrected. The group also needs to consider reducing losses as it owns a large number of wide body aircraft," he said, as reported by the China Daily.

Live-streaming gaining popularity in the West

With Christmas and the traditional consumption season in the West around the corner, **live-stream shopping**, fueled by a surge in at-home shopping during the Covid-19 pandemic, **is quickly gaining popularity among Western consumers - and a new sales channel and growth point for Chinese vendors.** TikTok is expected to launch its live shopping service in the U.S. during the Christmas holiday, following launches in the UK and Indonesia earlier this year, several Chinese cross-border live-streaming agencies told the Global Times. While the Covid-19 pandemic has disrupted the global economy, it has also

accelerated the digitalization of trade. The value of the global cross-border e-commerce industry has increased by 20% in 2020, according to the UN Conference on Trade and Development (UNCTAD). Compared with the more mature sector in China, live-stream shopping is still in its infancy in the West but is gaining pace.

"On Black Friday, we did live-streaming on Amazon from 8 am to 12 am midnight with no break. The schedule for live-streaming in December is also full, with six to eight sessions a day," Feng Xuefeng, Manager at SakTok, a cross-border live-streaming agency based in Shenzhen, Guangdong province, told the Global Times. Feng said sales through live-streaming on Amazon U.S. have increased 10-fold since it started about a year ago. "Last year, our sales stood at hundreds of dollars for each live-streaming session. Now, it's thousands of dollars," he said.

"The most frequent interaction we have with foreign viewers concerns price," Xiao said, with live-streaming prices about 15% to 30% cheaper than on the website. The most popular items of live-streaming sales are 3C products and clothes. Liu Chang, founder of MADEINRED, an e-commerce live-streaming company that helps Chinese brands sell overseas through TikTok, said that cross-border sales are expanding quickly, and many Chinese brands have invested a lot to promote their brands. "My clients include domestic phone makers Xiaomi and Lenovo. Some brands would offer prices as low as GBP1.99 for a headset to seize the market," Liu said. Since the company started live-streaming on TikTok in the UK market in July, sales have risen five-fold every month. "We are optimistic about growth. The whole TikTok live-streaming sector in the U.S. is still in the internal testing stage. It is estimated that the opening of the U.S. market will unleash dozens of times more consumption power than the British market," Liu said, adding that TikTok's live-streaming sales could be fully rolled out in the U.S. around Christmas or the first quarter next year. The development prospects of live broadcasting in the European and U.S. markets are gaining pace, with more people beginning to accept the new form of shopping, industry insiders said.

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Contact

Flanders-China Chamber of Commerce
Office: Ajuinlei 1, B-9000 Gent, Belgium
New telephone and fax numbers:

T ++32/9/269.52.46

F ++32/9/269.52.99

E info@flanders-china.be

W www.flanders-china.be

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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com

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