BUSINESS

Visitors check out Huawei products during the Consumer Electronics Show in Las Vegas on Jan 7. WU XIAOLING / XINHUA

Closer global cooperation, not trade restrictions, essential

TALKING BUSINESS
By Ma Si

As the world is deeply concerned with the COVID-19 outbreak's disruptions on the global supply chain, some US officials have attempted to pour oil on the flames by using political forces to sever normal supply cooperation.

A new proposal has been reportedly put forward by some US politicians to cut Chinese telecom heavyweight Huawei from global supply chains. The proposed rule change will require foreign companies that use US-made chipmaking technology and software to obtain a license from the US before selling designated types of chips to Huawei.

Such a move will undoubtedly add a burden on the world, which is already struggling with fragmentation of supplies and dwindling trade volumes amid the novel coronavirus pandemic. If adopted, the proposal will inevitably make things worse, given the sprawling size of Huawei's business and its thousands of suppliers around the world.

As the top telecom equipment maker and the second-largest smartphone vendor in the world, Huawei purchases tons of chips, relevant products and services every year from US semiconductor chip companies, including Qualcomm Inc, Intel Corp and Micron Technology, as well as European suppliers, such as Arm Holdings and NXP Semiconductors.

While what those US politicians are hoping to do to Huawei is a barbarian intervention in the operation of the Chinese company, it would disrupt the normal functioning of the global chip-related supply chain, and all companies that rely on this chain to survive will suffer.

Boston Consulting Group said in its latest report that in each of the three quarters after the US government restricted sales of certain technology products to Huawei in May 2019, the top US semiconductor makers have reported a median revenue decline of between 4 percent and 9 percent.

If the US increases restrictions on the semiconductor trade with China, it could endanger its own position as leader in the sector, the report added.

The BCG also warned that if shipments of US chips and chip making equipment to China were stopped, and China banned imports of US electronics and software, it could cost US companies 37 percent of their annual sales.

Some scaremongering US politicians, however, totally go against such warnings and remain pigheaded in pursuing their dubious agenda. If their proposal were approved, it is the US chip companies and the US semiconductor industry that stand to suffer the most.

That explains why nine US industry groups are reportedly pushing back on the proposed changes to tighten chip sale rules to Huawei. Reuters reported that in a letter sent on Monday, the nine groups urged the US Department of Commerce to allow public comments before putting the rules into effect to avoid unintended consequences.

Ren Zhengfei, founder of Huawei, once said the US is just like ice water on the Himalayas; it can flow down the mountains to water the plants. But if it stays on top of the mountains and refuses to water the plants at the foot of the mountains, it will freeze and become a glacier.

If the US government leverages its technological superiority in an area to sever the global supply chain, the US industry in that area will risk losing vitality, and it is just a matter of time before other countries develop their own alternatives of equal or even better quality.

History has already showed that Chinese companies excel in turning a crisis into an opportunity to stand out. Five years ago, Washington banned sales of premium processors to China's high-performance computers. The ban ended up accelerating China's development of its own CPUs. In 2017, China came up with its own chip for high-performance computers: The SW26010.

As the world's largest 5G and smartphone market, China has already made constant progress in telecommunication and electronics industries. A string of US tech firms, including Qualcomm and Apple, heavily rely on the China market for revenue and supply chains.

Contrary to some US politicians' despicable practices of threatening to sever chip-related supply chains amid the pandemic, China has been scrambling to help local factories of international companies resume production to help stabilize global supply chains.

China has recently stepped up resumption at manufacturing, commercial and logistic firms, such as pharmaceutical product manufacturers, to ensure the global supply.

Amid the world's biggest healthcare challenge in decades, it is closer global cooperation, not disconnection and trade restrictions, that is needed to fight the virus and restore business activities.

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Real estate market on steady recovery track

By WANG YING in Shanghai
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The gradual resumption of business and production has contributed to the recovery of the property market in March, and experts suggest the worst impact of the COVID-19 outbreak on the sector may have passed.

The novel coronavirus pandemic slammed the brakes on many sectors, including property. In the most severe stretch in February, 19 out of the 70 major Chinese cities tracked by the National Bureau of Statistics reported no new homes traded, while 24 cities had no deals in preowned residential apartments.

But as new confirmed cases of the contagion began declining, the real estate market showed signs of recovery in a growing number of cities.

"Urbanization is the key engine of China's property market, and nothing can overturn this trend. The worst month in history in terms of transactions is behind us, so the market can only get better," said Yan Yuejin, research director at E-House China R&D Institute. But Yan said that although the market has bottomed out, sales won't catch fire overnight.

The top 100 leading property developers in China saw sales revenue surge 136.2 percent month-on-month to 769 billion yuan ($108 billion) in March. Although this is 17 percent lower than the same period last year, the decline narrowed by about 21 percentage points in comparison to that of February, according to data collected by E-House (China) Enterprise Holdings Ltd.

Several newly built residential projects in Suzhou, Jiangsu province, were sold out immediately after being announced in late March, according to a report from Beijing Daily.

"The quick sales of some prime projects could greatly restore market confidence. The fundamentals of the real estate market are fine and solid demand is there, which was only pent-up in the past few months due to the contagion," said Lu Wenxi, a senior research manager at Centaline Shanghai.

The recovery of the secondary market is also well underway. In March, the transaction volume of pre-owned apartments in the 18 cities monitored by property broker Lianjia was 41.8 percent more than the combined amount of January and February, although it was merely 63 percent of that seen a year ago.

A report by Beike Real Estate Research Institute showed that the top five best-performing cities in the property sector are all located in southern and eastern regions of the country. Suzhou outperformed all other Chinese cities, followed by Nanjing, Jiangsu province; Hangzhou, Zhejiang province; Shenzhen, Guangdong province and Xiamen, Fujian province.

According to the report, 70 percent of the top 15 cities are south of the Yangtze River. Cities in the Yangtze River Delta region are among the best in terms of a rejuvenated property market, followed by the Pearl River Delta region, second-tier cities and the Beijing-Tianjin-Hebei region.

An employee (second left) answers queries from potential home buyers at a real estate agency in Huaian, Jiangsu province, on March 22. ZHAO QIRUI / FOR CHINA DAILY

"It may take a longer period of time for the market to recover, especially in lower-tier cities where the urban governance is less sophisticated," said Chen Sheng, president of the China Real Estate Data Academy.

Chen added that Zhejiang and Guangdong provinces are on the front lines in terms of feeling the impact of the global pandemic as they rely heavily on exports.

The pandemic has also altered the investment and sales structure of property developers, posing great threats to their capital flow.

In addition, homebuyers may find more discounts and promotions going forward.

"The first half of this year should be good timing as developers may be eager to provide special offers as they struggle to survive," said Lu of Centaline Shanghai.

The whole industry is expected to experience a wave of phasing out of weaker and less competitive enterprises, Lu added.

CRCC sends teams to help Nigeria fight virus

By ZHONG NAN
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China Railway Construction Corp, one of the two biggest rail construction contractors by sales revenue in the country, sent the first medical team with experience in fighting COVID-19 to Nigeria on Wednesday to help with the battle against the virus in the country.

The team of 15 members were selected from the group's affiliated hospitals. They are scheduled to work in Nigeria for 30 days and will provide necessary medical aid, guidance for outbreak prevention and control to CRCC's Chinese and Nigerian employees in the West African country.

The Chinese doctors who specialize in such areas as infectious disease prevention, pulmonary and critical care medicine, will also share their practical medical experiences with others in Nigeria. The nation had urged its citizens to remain indoors in Lagos, Abuja and Ogun state for 14 days starting from last Monday.

CRCC Chairman Chen Fenjian said the group is willing to share its experience and expertise in epidemic control and prevention with Nigeria and other African nations.

The company has already provided assistance in various forms to countries in need across Africa and other parts of the world, such as Algeria, Angola, Laos and Trinidad and Tobago.

CRCC's medical team will travel with a chartered airplane operated by Nigeria's Air Peace airlines. They will be going with ventilators, medical masks, test kits, sterilizing machines, oxygen generators and other core equipment.

Nigeria is one of the CRCC's core country markets in Africa, with more than 140 projects under construction with a total contract value of $16.6 billion.

At this time, there are 1,600 Chinese workers and 12,763 Nigerian employees who are building railroads, subways, bridges and other infrastructure and service facilities in the country.

With 46 countries in Africa having confirmed novel coronavirus cases by the end of March, CRCC and its subsidiaries, including China Civil Engineering Construction Corp and China Railway 17th Bureau Group Co, found that the work of contagion prevention and control, as well as production and operation, are under increasing pressure in Nigeria.

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Chen said all its projects are closely monitored in Nigeria, and a string of measures have been taken to minimize the outbreak's impact. Strict epidemic case checks and reporting are required among staff working overseas to prevent the spread of the contagion.

In addition to building two mobile hospitals in Nigeria, the central State-owned enterprises have also helped the country purchase medical supplies. They include ventilators, medical masks, protective gowns, test kits and infrared thermometers from China. The equipment and goods were shipped to local hospitals selected by Nigeria's Federal Ministry of Health.

The COVID-19 outbreak has laid bare the significant challenges facing all members of the global community, including those in governance, economy and healthcare management, said Wang Yong, director of the Center for International Political Economy at Peking University.

"Responding to the outbreak and controlling the virus requires international cooperation. The most important thing is to share experiences, remove prejudice and adopt a scientific approach suitable for each country's condition," Wang added.

Guizhou moving up phosphate value chain

By LIU YUKUN in Beijing and **YANG JUN** in Guiyang

A State-owned enterprise in Guizhou is on track to transform the province into a producer of high-end refined chemical products to achieve more added value and presence in the global market.

State-owned Guizhou Phosphate & Chemical (Group) Co Ltd announced that several phosphate processing projects have started operation in the province this year, with a total investment of about 2 billion yuan ($282.7 million).

The projects include a purified phosphoric acid (PPA) project with an annual output of 400,000 metric tons, two anhydrous hydrogen fluoride projects with an annual output of 30,000 tons each, a gypsum powder project for building materials with an annual output of 1.2 million tons, a 30-million square meter paperless gypsum board project and a major building materials and industrial equipment project.

The projects, which also feature environmentally friendly production, are expected to bring in over 3.5 billion yuan in industrial output value to the province each year upon completion, according to the company.

Launching these projects marks a great step in the company's transformation to a high-end producer, said Chairman He Guangliang, adding that the projects will intensify Guizhou Phosphate's earning power due to more growth drivers as well as boost the SOE's structural reform.

"The group's structural adjustment on revenue sources and production procedures — and variation of products — helps it tackle overcapacity of phosphate fertilizer (on which the group's income relies heavily) and hedge risks from continuously shrinking market demand," He said.

According to the group, the PPA project will further consolidate the group's position as a leading global supplier for phosphoric acid and boost development of related industries like high-end refined phosphate products.

The group also said one of the two anhydrous hydrogen fluoride projects is expected to be finished by the end of April.

The group plans to build itself into one of the world's biggest and most competitive fluoride-related resource suppliers by expanding its global annual production capacity of anhydrous hydrogen fluoride to 500,000 tons in the short future.

An Fengming, deputy director of State-owned Assets Supervision and Administration Commission of Guizhou, said the new projects showed Guizhou Phosphate & Chemical's development in related technologies and filled a gap in the development of refined phosphorous products.

Tang Xinglun, vice-mayor of Guiyang, said concerted efforts from various departments will be made to guarantee a good production environment for the projects.

Tang said efforts will be made to facilitate a more efficient government administrative service system, and ensure that water, power and gas are in adequate supply.

Guizhou Phosphate & Chemical was founded in June by the local government. It has stakes in some major local phosphate and chemical firms, including Wengfu Group and Guizhou Kailin Group.

Zhao Yandi in Guiyang contributed to this story.

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