法兰德斯中国商会 FCCC VCKK

FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

Newsletter

26 February 2019

FCCC/EUCBA ACTIVITIES

China Immersion Programme – Negotiating with the Chinese: Cultural Roots & Practical Recommendations – Business Models & China Entry Strategies – 19 March 2019, 10h00 – 16h00 – Ghent

The Flanders-China Chamber of Commerce is organizing the **China Immersion Programme: ‘Negotiating with the Chinese and China Entry Strategies’**, which will take place on **19 March** at 10h00 in Ghent.

Mr. Bo Ji, Chief Representative Europe & Assistant Dean Global Executive Education of the **Cheung Kong Graduate School of Business**, will be the keynote speaker.

China has embarked on unprecedented economic growth since its market opened up four decades ago, rising to become the world’s second-largest economy today. What is happening in China? What are the new increasing business opportunities that attract European companies? How can you break into the Chinese market and win your customers there?

Companies with the ambition of global expansion, especially those who are eager to enter the Chinese market, should have a better understanding of how to negotiate with the Chinese. However, due to the cultural differences and the shifting dynamics of the business context, it is not easy for all business leaders. Today, effective communication and negotiation skills play a crucial role in a company’s success in China.

Attendees will gain a comparative understanding of the practical Chinese and Western approaches to negotiation as well as sharpen their own negotiation skills through learning from multiple case studies and real-life contexts. Furthermore, they will identify the cultural roots behind business scenarios, which will provide them with the knowledge to reshape their strategies and tactics. The attending business leaders will also learn to optimize their approach to a win-win value creation through negotiating with the Chinese to achieve a sustainable partnership.

The event contains a comprehensive discussion of the Chinese culture and the business environment in China. There is also a large selection of real-life case studies of western companies that have failed in China, which could deepen your understanding of how to avoid mistakes. Finally, the course aims to find you the right China entry strategies and business models.

The morning session: Negotiating with the Chinese: Cultural Roots & Practical Recommendations
This session offers guidance to business leaders on how to leverage cultural differences, complexity, uncertainty, and conflicts during the negotiation process with their Chinese partners.

The afternoon session: Win in China: Business Models & China Entry Strategies
The authoritative China guidance helps you learn the best tried-and-tested China concepts to today's ever-changing environment and discover strategies that enable you to thrive in China.

Programme
10:00 – 10:15 Signup & Networking
10:15 – 10:30 Opening Remarks and introduction, Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
10:30 – 12:00 Keynote Speech "Negotiating with the Chinese: Cultural Roots & Practical Recommendations", Bo Ji, Chief Representative & Assistant Dean of CKGSB Europe
12:00 – 13:00 Lunch Break & Networking
13:00 – 14:30 Keynote Speech "Win in China: Business Models & China Entry Strategies", Bo Ji, Chief Representative & Assistant Dean of CKGSB Europe
14:30 – 15:00 Q&A Session about China
15:00 – 16:00 Networking

The participation fee for this event is:
Morning or Afternoon Session, lunch included:
Members (excl. VAT): €195
Whole Day price:
Members (excl. VAT): €325

For non-member fees, please check our website. For more information about the speaker, please check our website.

If you are interested to participate in this session, please subscribe before 12 March 2019 via this link

Experience of previous participants:
"The enthusiasm of the speaker was remarkable. Through the experiences of the lecturer everything was very understandable and clear. There was a lot of interaction in the group, which allowed us to know the experiences of others."

Another quote from **Christian De Cartier,** M&A Director of Ontex Group:
"A very interesting workshop that covered some fascinating topics! I would recommend it!"

Peter Cannaerts, Purchasing Manager of Agfa Graphics:
"A very dynamic speaker and a very interesting workshop where the diversity of the group was a big advantage. In addition to the speakers information and tips, we could learn through the experiences of each participant."

Contact: FCCC: info@flanders-china.be

ACTIVITIES SUPPORTED BY FCCC

"China Networking Event" – 19 March 2019 – 4:00 – 8:00 pm – Het Pand, Ghent

On 19 March, the China Platform of Ghent University and the Chinese Student and Scholar Association of Ghent University (ChiSAG) will jointly organize a **China Networking Event** in Het Pand from 4:00 until 8:00 pm. Apart from our students, staff and professors, also external members from the public authorities, business world and media will be invited.

The aim of this event is to put the spotlight on our China cooperation of the most recent years in a more informal way and we would like to offer the opportunity to the members of the *Strategic Partnership China* (Province of East Flanders, City of Ghent, FCCC and North Sea Port) to give a survey of the developments in their cooperation with China.

At the same time, we want to create a unique opportunity for the staff and professors of Ghent University, who do not yet have a cooperation with China, to get to know this country in all her aspects.

China remains a hot topic in our media and consequently, we think it would be an ideal moment to put China in the spotlight in our own open-minded manner with the motto of Ghent University "Dare to Think" in the back of our mind. Mr. Stefan Blommaert will come to present his new book "De Eeuw van Xi".

PROGRAMME:
16:00 Welcome remark by Prof. Luc Taerwe, Director China Platform
16:05 Speech by the chairman of the Board of ChiSAG, Ms. Zhang Mengjin
16:15 China-Belgium cooperation in the field of education and research by Mr. ZHENG Baoguo, Education Counsellor, Embassy of the People's Republic of China to the Kingdom of Belgium
16:25 Presentation about the China cooperation by the China Platform, Prof. Luc Taerwe
16:35 Presentation about the China cooperation by the Province of East Flanders, Mrs. Nausikäa Lagrou
16:40 Presentation about the China cooperation by the City of Ghent, Mrs. Tineke Cartreul
16:45 Presentation by the North Sea Port, name of representative (TBC)
16:50 Presentation by Mrs. Gwenn Sonck, Executive Director Flanders-China Chamber of Commerce
17:00 Book presentation by Mr. Stefan Blommaert "De Eeuw van Xi"
The speakers will be announced by Mrs. Inge Mangelschots, coordinator of the China Platform.
17:30 – 18:00 Q&A with a panel of China-experts
18:00 – 20:00 Networking reception

Please register through the following link:
https://eventmanager.ugent.be/ChinaNetworkingEvent

Address: 2nd Floor, Conference Room "August Vermeylen", Convention Center Het Pand, Onderbergen 1, 9000 Ghent - https://www.ugent.be/het-pand/en/contact

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FOREIGN TRADE

U.S. President Trump delays tariff increase after substantial progress in talks

Chinese Vice Premier Liu He (4th from right) with U.S. Trade Representative Robert Lighthizer (4th from left) and Treasury Secretary Steven Mnuchin (3rd from left) before the start of U.S.-China trade talks at the White House in Washington on February 21.

U.S. President Donald Trump has announced he will delay an increase in tariffs on Chinese goods that had

been scheduled for March 2, citing "substantial progress" in trade talks with China over the weekend. He also said he would hold a summit meeting with Chinese President Xi Jinping at his Mar-a-Lago estate in Florida next month to conclude an agreement, assuming both sides made additional progress. Trump tweeted that progress had been made on "structural issues including intellectual property protection, technology transfer, agriculture, services, currency, and many other issues" in the talks in Washington. He ended his tweet by saying that it had been a "great weekend" for the U.S. and China.

The high-level talks in Washington were planned to last two days, but were extended by another 48 hours, after which President Trump decided that sufficient progress had been made to allow for a delay in raising tariffs on USD200 billion of Chinese imports from 10% to 25% on March 2. More negotiations will be held to make further progress before a Trump-Xi summit would be held.

Trade talks between the U.S. and Chinese delegations had resumed in Washington with the aim of signing a memorandum of understanding to solve the trade dispute. The leader of the Chinese delegation, Vice Premier Liu He, has been upgraded to "special envoy of President Xi Jinping" for this seventh round of high-level economic and trade consultations. This gave him authorization to make significant decisions or sign agreements, according to Bai Ming, Deputy Director of the Ministry of Commerce's International Market Research Institute. Vice Premier Liu He once again had a meeting with President Trump, after which the two day trade talks were extended for a further 48 hours, as the negotiators appeared closer than ever to reaching a deal that would avert further escalation.

They said a trade-war deal is 'extremely' likely. China would sharply boost purchases of U.S. agricultural products and open its electronic payment market to Visa and MasterCard. A final agreement to end the trade war – in which Washington has levied taxes on USD250 billion of Chinese goods, prompting Beijing to retaliate with tariffs on USD110 billion of U.S. imports – would require a face-to-face discussion with China's President Xi Jinping, Trump said.

One U.S. demand is that China keeps the yuan stable, as a devaluation would negate the impact of the tariffs. The U.S. also considers an enforcement mechanism to be an extremely important component of any final deal that would distinguish it from those reached by previous administrations. But China will not be happy with a deal that does not fully eliminate tariffs or allows for them to be reimposed at will by the U.S.

President Trump also said that the U.S. "may or may not include" the subject of Chinese telecom firms Huawei Technologies and ZTE in the trade deal. Though he said that dropping the criminal charges pending against Huawei was not currently under consideration, Trump said his negotiating team would be "discussing all of that during the course of the next couple of weeks and we'll be talking to the U.S. Attorneys, we'll be talking to the Attorney General." Trump added that he did not want to "artificially block people out based on excuses or based on security".

U.S. Secretary of State Mike Pompeo has said that "if a country adopts Huawei and puts it in some of their critical information systems, we won't be able to share information with them, we won't be able to work alongside them".

IT & TELECOM

Huawei insists it does not spy for the Chinese government

The Chinese Foreign Ministry has rejected the United States position on Huawei, saying China hopes all countries will abide by the principle of fair competition, and jointly safeguard a fair and non-discriminatory market environment. The comment followed U.S. Vice President Mike Pence warning U.S. allies should take seriously "the threat" posed by Huawei as they look for partners to build 5G wireless infrastructure. U.S. officials also said that under China's National Intelligence Law, companies such as Huawei or ZTE could be compelled to hand over data or access to it to Chinese intelligence. "These are mistaken and one-sided interpretations of Chinese laws," Foreign Ministry Spokesman Geng Shuang said, adding that Chinese law protects the legitimate rights and interests of citizens and organizations.

Huawei's Founder Ren Zhengfei has maintained a consistent message in recent media appearances: Huawei does not spy for the Chinese government and will not share data with the Chinese government. In an interview with the BBC on February 19, Ren said that the arrest of his daughter Meng Wanzhou in Canada was politically motivated. "Firstly, I object to what the U.S. has done. This kind of politically motivated act is not acceptable," Ren told the BBC. His move into the limelight was unusual for the normally low profile Ren, who generally likes to focus more on internal management and communicate with employees in small groups. But Ren and Huawei executives are communicating more proactively with the outside world these days as the company seeks to project a more transparent and open image. In mid-February, Huawei also posted a page called Huawei Facts on its website, available only in English, aimed at answering common questions about the Chinese company, such as its background, its global businesses, and its official responses to recent business setbacks.

Huawei is preparing to deploy ultra-fast 5G network coverage at Shanghai's Hongqiao railway station, which would become the first railway hub in the world to be equipped with 5G coverage. Passengers will be able to download a movie in 20 seconds when the system is fully implemented around September. With tech support from Huawei and China Mobile's Shanghai branch, the digital indoor system (DIS) is specially optimized for indoor data telecommunications on 5G. The technology meets the needs of high-density areas with thousands of people simultaneously using the network to make phone calls, access the internet and make mobile payments. At present, 5G signals are transformed into Wi-Fi signals in several spots in the railway station. It is free now and available to all smartphones. Hongqiao railway station handles more than 60 million passengers every year. The station's trial 5G network, through its Wi-Fi connections, offers internet access 15 to 20 times faster than the current 4G network, according to Shanghai Daily's on-site test.

The Beijing municipal government plans to invest at least CNY30 billion by 2022 to build 5G networks to help the Chinese capital gain a lead in commercializing the technology and expedite pioneering applications such as self-driving vehicles and remote healthcare, experts said. China is expected to have 576 million 5G users by 2025, or more than 40% of the global total. The China Academy of Information and Communication Technology also forecast that 5G will drive CNY6.3 trillion of economic output in the nation by 2030.

Ciaran Martin, Director of Britain's National Cyber Security Center (NCSC), said that the UK could handle the risks posed by Huawei. "Because of our 15 years of dealings with Huawei and 10 years of a formally agreed mitigation strategy which involves detailed provision of information, we have a wealth of understanding of the company," Martin said in a speech at the Cybersec Brussels Leaders' Foresight forum. His comments imply that British authorities had not enough proof to warrant a complete ban on Huawei in the country. Martin also chairs the Huawei Cyber Security Evaluation Center (HCSEC) Oversight Board, set up in 2014, which assesses any risks that might occur from Huawei's involvement in Britain's national telecom infrastructure. "Any company in an excessively dominant market position will not be incentivized to take cybersecurity seriously," he said, rejecting the notion that Huawei equipment poses higher risks just because the company is Chinese.

At this year's MWC Barcelona, the largest exhibition for the global mobile industry, **Huawei is one of the event's major sponsors** and will join a showcase exhibit called GSMA Innovation City, which will feature the latest advances made possible by 5G mobile networks, artificial intelligence (AI) and data generated from multiple devices under the so-called Internet of Things (IoT). The four-day event started on February 25, expecting 110,000 visitors. "Huawei's presence at MWC Barcelona, especially in the GSMA Innovation City exhibit, is important for the company to show the industry that it continues to offer leading-edge technology and that operators will miss out if they don't use its products," said Edison Lee, Jefferies Equity Analyst covering Hong Kong-listed ZTE, China Mobile, China Unicom and China Telecom.

Meanwhile, **Huawei launched a luxury 5G phone with a folding screen**, only days after Samsung pioneered the new design with its Galaxy Fold smartphone. The Huawei Mate X is the company's most expensive with a price tag of €2,299, setting a new upper limit for consumer smartphones. Introduced at MWC19 in Barcelona, the Mate X has a flexible OLED display that covers both the front and back of the device, and which unfolds outwards to become an 20 cm tablet screen.

MACRO-ECONOMY

Blueprint for Guangdong-Hong Kong-Macao Greater Bay Area unveiled

China released a grand blueprint for the development of the Guangdong-Hong Kong-Macao Great Bay Area, Chinese policymakers' latest effort to set a strategic model for the country's further economic opening-up and innovation-driven high-quality growth. Under the blueprint, the Greater Bay Area, with a combined GDP of USD1.5 trillion in 2017, is on track to surpass the world's three existing major bay areas – San Francisco, New York and Tokyo – to become the world's most vigorous and largest bay area by economic output, analysts said. The Greater Bay Area includes nine cities in Guangdong province as well as the Hong Kong and Macao special administrative regions (SARs). It covers a total area of 56,000 square kilometers and is home to about 70 million people as of 2017, larger than the other three bay areas.

Lin Nianxiu, Deputy Director of the National Development and Reform Commission (NDRC), the country's economic planner, said in an interview with China Central Television (CCTV) that the reason why China raised the building of the bay area to the level of a national strategy is that the country hopes the area will follow the globalization trend and fully utilize the role of Hong Kong and Macao as open markets and Guangdong as the pioneer for reform and opening-up, the Global Times reports. Lin Jiang, Vice Dean of the Center for Studies of Hong Kong, Macao and the Pearl River Delta at Sun Yat-sen University, noted the complexity of the task because different social and legal systems, three separate customs territories and three currencies are involved.

Hong Kong is on par with New York as a financial center. Similar to San Francisco, Shenzhen has given birth to a complete chain for high-tech industries. And the Pearl River Delta in Guangdong is the cradle of manufacturing. The Great Bay Area's economy ranked second among the four bay areas. The successful integration of the three areas will be key to the development of the whole. The area could be turned into a magnet for key projects in fifth-generation (5G) networks, genetic testing, intelligent robotics, 3D printing and the Beidou satellite navigation system, according to the plan.

China Poly Group is the most aggressive real estate developer in the area, spending CNY42.9 billion on land, according to Real Estate Foresight. Home prices in Foshan – one of the 9 cities in Guangdong that are part of the area – have jumped 35% since July 2017 to rank No 1 in the Greater Bay Area. According to the South China Morning Post, those who stand to gain from property speculation or the anticipated large foreign capital inflows into financial markets are bullish on the plan, as are those in cutting-edge manufacturing industries, whose development is a top priority of the plan. “Our team read the blueprint carefully. As a mobile robot body manufacturer and intelligent logistics solutions provider, we are so happy to see the area in which we are located will be turned into an international innovation and technology hub,” said Chen Hongbo, Vice President of Jaten Robot & Automation, an industrial robot maker in Foshan.

On the other hand, those in traditional, low-tech manufacturing industries that have powered China’s export juggernaut over the last 30 years see little, if any, benefit from the plan. Traditional manufacturers and exporters said the scheme will do little to reverse their increasingly difficult economic situation and could even make it worse by increasing costs. To them, the trade war with the United States has a more direct impact. They fear the bay scheme will do little to help lower costs for factories, either labor, rent or raw materials.

CHINA NEWS ROUND-UP

Meituan Dianping is the world’s most innovative company according to business magazine Fast Company

The top two most innovative companies in the world are from Asia, according to Fast Company, a U.S. business magazine, in the latest sign that the West is waking up to the fact that a lot of innovation today is taking place beyond Silicon Valley. **China’s Meituan Dianping**, which offers an app-based service that expedites the booking and delivery of services such as hotel stays, movie tickets and food, **has taken Apple's crown as the world's most innovative company** in Fast Company's 2019 ranking of the world's 50 most innovative companies.

Immediately behind Meituan Dianping's No 1 position is Singapore-based Grab, a ride-hailing company that has expanded to offer its 130 million users not only food delivery and travel bookings but also financial and other services. Dubbed by Fast Company as "transactional super apps", both Meituan Dianping and Grab are recognized for the changes they have brought to hundreds of millions of Asian consumers. This not only relates to buying food and booking hotels but also the transformation the companies have brought to local businesses in terms of digitizing their operations and fueling their growth and expansion. "The reason that transactional super apps take root in Asia, China in particular, is because of the well-established mobile internet infrastructure and the popularity of mobile payments in the region," said Zhang Yi, Chief Executive of research firm iMedia. "In terms of payments in the U.S., the credit card still rules."

The 2019 ranking is the first time a non-U.S. company has been chosen as the world's most innovative company since Fast Company started compiling the rankings in 2008, reflecting the rise of innovation in regions beyond Silicon Valley, particularly in Asia. "They may not be well known in the U.S., but Meituan and Grab are changing the lives of hundreds of millions of consumers and millions of merchants with highly complex operations disguised as simple transactions – elegant tech to enable real-world experiences," Fast Company wrote, explaining the rationale behind the ranking.

Having facilitated 27.7 billion transactions worth USD33.8 billion for more than 350 million people in 2,800 cities in the first half of 2018, Meituan Dianping is one of China's biggest on-demand services providers. The sector has been the cradle for some of the country's biggest tech companies, including ride-hailing giant Didi Chuxing and bike-rental firms such as Ofo. Beijing regards on-demand services as one of the important sectors in its plan for an innovation-driven economy. Despite the far-reaching impact of Beijing-based Meituan Dianping it has yet to turn a profit although analysts have projected that it will move into the black next year, the South China Morning Post reports.

Apple, which has often topped the rankings including in 2018, fell to 17th spot this time as it "did not really break new ground with their devices, and hardware sales were sluggish", Fast Company Senior Editor Amy Farley said.

Investing in China's stock market is to become more lucrative than real estate

The Chinese stock market may outperform the housing market in the next decade, reversing the trend seen in the previous decade, economists said. Discussions on whether investors should "sell housing to buy stocks" have spread across domestic media recently. in the past decade this strategy was not successful. From 2008 to 2018, the benchmark Shanghai Composite Index halved to 2493.90 points. In sharp contrast, the price of second-hand properties increased 3.6 times on average in China's first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen, according to real estate agency Centaline Property.

As of February 21, the Shanghai Composite Index was up 10% this year, with turnover doubling to more than CNY200 billion per trading day. Meanwhile, the total area of properties sold in 30 major cities declined 14% year-on-year in January, according to Shanghai-based housing market data provider CRIC. Dong Dengxin, Director of the Finance and Securities Institute at the Wuhan University of Science and Technology, said financing stock investments by selling properties is too radical for many investors. "Family wealth should not be allocated largely on one type of asset." "But, over the next decade, the Chinese stock market will offer more investment opportunities than the housing market", as excessive money supply – the major driver of property prices in the past decade – will not continue. "In the next decade, the housing market will remain stable and be effective in preserving wealth. Room for appreciation will fluctuate with the growth in broad money supply, or M2," Dong said.

Jiang Chao, Chief Economist at Haitong Securities, said decelerated money supply growth will weaken inflation expectations and thereby the attractiveness of real estate, which outperforms financial assets during inflationary times. Moreover, properties now have the highest valuation among major asset categories in China, whereas stocks are the cheapest.

Yang Delong, Chief Economist at Shenzhen-based First Seafront Fund, added that as China's economic upgrade deepens over the next decade, the competitive landscapes of various industries will become more dominated by top players, whose profits will continuously grow and buoy the stock market. In the mid term, the A-share market is likely to see an overall positive performance this year amid policies to bolster growth and the growing profits of listed companies, said Gao Ting, head of China Strategy at UBS

Securities. But short-term stock market fluctuations are still inevitable, the China Daily reports.

Port efficiency to be boosted by cooperation between Shanghai and Ningbo ports

The Port of Shanghai, the world's largest port by TEU volume, has announced it will cooperate with the Port of Ningbo, the world's largest port by cargo turnover, in the development, operation and management of the northern part of the Xiao Yangshan port area, which could significantly boost the efficiency of cargo transit on the Yangtze river, and lower costs. The operators of the two ports, Shanghai International Port Group (SIPG) and Zhejiang Seaport Investment & Operation Group, reached an agreement to cooperate on the comprehensive development of the northern Xiao Yangshan area. Zhejiang Seaport Group will invest CNY5 billion in Shanghai Shengdong International Container Terminals Co, a wholly-owned subsidiary of SIPG. Following the investment, SIPG will hold 80% of the JV, with Zhejiang Seaport Group retaining the remaining 20%.

Up to 70% of Shanghai port's throughput comes from the Yangtze River Delta region, and nearly half of the goods in Yangshan require additional transportation by water. In the operational southern side of Yangshan port, no berths are set aside for feeder vessels, which has hampered its efficiency and economic performance, said Liu Ming, Deputy General Manager with a logistics company under SIPG. "Feeder ships for regional transportation have to wait for a berth to reach their destinations, which is a waste of time and money," said Zhou Dequan, Research Director from the Shanghai International Shipping Institute. The northern side of Xiao Yangshan, though not as deep as the southern side, could well be developed into an international transportation hub for transition between rivers across the region, Fang Huaijin, Vice President of Shanghai International Port Group, said.

As development of the northern side of Xiao Yangshan starts, the first phase of the project will extend 1.2 km along the coastline, and have a total turnover capacity of 3.5 million to 4 million TEU, according to SIPG Chairman Chen Xuyuan. Compared to road transition, transport by water will lower costs by CNY200 to CNY300 per TEU, and shorten the logistics procedure, the China Daily reports.

NEV makers raise prices to offset drop in subsidies

As the Chinese government is reducing subsidies for sales of new-new-energy vehicles (NEVs), some manufacturers have raised prices to safeguard their profits, but analysts expect that prices will drop again eventually. **The subsidy may drop as much as 50% from the previous year**, which means CNY70,000 less for one electric car sold. Startup Xpeng Motors has announced that the selling prices of its first model Xpeng G3 will increase to CNY155,800-199,800 from CNY135,800-165,800 at the beginning of this month, up almost 15%. Sitech Dev, another startup based in Guizhou province, has raised the prices of its first model DEV1 by CNY5,000 to CNY6,000 since January 24. Shanghai-based Nio has been coaxing potential customers to place orders as early as possible to prevent price hikes. Nio announced that the customers can enjoy the same subsidy as in 2018 as long as they buy a Nio ES8 this month and get the license plate before the release of the 2019 national new energy vehicle subsidy policy. BYD, China's leading electric vehicle maker, has similar measures: car buyers who get the license plate before March will receive the same subsidy as they would have in 2018.

Yu Qingjiao, Secretary General of the Zhongguancun New Battery Technology Innovation Alliance, said that price hikes will not become a trend, but a temporary phenomenon, and the prices of new energy vehicles will decline as a whole, as upstream industries, including the battery, electric motor, electric control and intelligence system, have lowered their costs steadily, and market competition may get more intense as Tesla finishes the initial construction of its Shanghai Gigafactory by summer. As a result, Chinese electric carmakers will have to lower prices to keep and enhance their product competitiveness, Yu added.

According to a report by Ways – a provider of business analysis for the automotive industry in China – the cost of the power battery system was CNY3 per watt-hour in 2015, CNY1.2 in 2018, and is expected to be reduced by 20% by 2020, which means that the cost of an electric vehicle with a 60-kilowatt-hour battery is estimated to drop by CNY20,000 to CNY30,000.

A Senior Executive of BYD said that with the gradual reduction and final elimination of government subsidies and the rapid upgrading of the new energy industry, carmakers without core technology or comprehensive competitiveness are very likely to fall behind. Those over-reliant on subsidies and without any ambition and capability to develop valuable new energy products will be squeezed out of the market, the China Daily reports.

China emphasizing innovation-driven development strategy

China's innovation-driven development strategy has put down strong roots and **has a promising future** with the guidance and support of the central government, Gan Yong, former Vice President of the Chinese Academy of Engineering (CAE) said, adding that he had seen many scientific breakthroughs over the last six years and had high expectations for the future of technological development. Gan said China's strengths in core technology research were too widely dispersed, and he urged the establishment of a generic research and development platform to pool the advantages and boost China's international competitiveness. He said he believed opto-electronic devices and microprocessors would be among the most competitive areas internationally, with artificial intelligence (AI) being the key technological trend.

Chinese President Xi Jinping three years ago already described the innovation-driven development strategy as a fundamental measure to accelerate and invigorate the country's economic transformation. The President also said that China must be bold in exploring some key areas of science and technology. Meanwhile the Chinese government released an outline for China's innovation-driven development, underlining the crucial role of advancing mass innovation and entrepreneurship and pledging that **China will become an "innovation country" by 2020 and a global "innovation leader" by 2030**.

The country's commitment to innovation has already led to a number of scientific achievements, such as the world's first quantum communications satellite, Micius, which was launched in 2016, and the completion of one of the world's most powerful supercomputers, Sunway TaihuLight. The Global Innovation Index 2018 – published by Cornell University together with the World Intellectual Property Organization (WPO) and business school INSEAD – listed China among the world's 20 most-innovative economies. It ranked 17th, up from 22nd in 2017.

Wan Jianmin, Vice President of the Chinese Academy of Agricultural Sciences, pointed out breakthroughs in basic agricultural research: genetically modified insect-resistant cotton helped reduce the use of pesticides by more than 900,000 metric tons, and new varieties of disease-resistant corn, wheat and rice have greatly reduced the annual use of pesticides. "Now it is mainly the government that invests in agricultural science and technology innovation, because agriculture is not considered a profitable industry and progress comes slowly," Wan said, as reported by the China Daily.

Shanghai attracting more foreign investment in January

Shanghai posted rapid growth in attracting foreign funds in January, with the number of new foreign-funded projects jumping 69.1% year-on-year to 563 in the month. Total contracted foreign investment in Shanghai surged 197.6% to USD10.97 billion, and the actual use of foreign capital rose 33.5% to USD1.422 billion, according to the Shanghai Commission of Commerce.The robust development of foreign investment in January was boosted by the rapid growth in the foreign-funded services industry. In January, the services sector saw 552 foreign-funded projects newly launched in the city, posting actual foreign investment of USD1.284 billion, an increase of 24.8% over the same period last year. The sector accounted for 90.3% of the overall foreign investment, becoming the main force for growth.

The commercial services industry received USD645 million of foreign investment, an increase of 66.5% from a year earlier, accounting for 45.4% of the market, while the science and technology services industry attracted USD146 million, up 263.8% to account for 10.3%. The real estate sector and trade were also among the major areas of investment. The manufacturing sector also saw actual foreign investment surge 315.7% to USD126 million, accounting for 8.8% of the total. The manufacturing sector saw two mega projects: Sisal Chemical received USD58.37 million, and newly set-up BHSENS posted an actual use of USD16.91 million.

Meanwhile, Shanghai witnessed the establishment of four new regional headquarters by multinational corporations, two new foreign investment companies and two more foreign-funded research and development (R&D) centers. By the end of January, a total of 674 regional headquarters of multinational corporations had been set up in Shanghai, among which there were 90 Asia-Pacific headquarters.

Shanghai's efforts in optimizing the business environment and enhancing the efficiency of government services were the major driving forces for the surge of foreign investment in January, the Commission said. In 2018, the city launched a total of 5,567 foreign-funded projects, 41.7% up from the previous year, with the support of preferential policies, including the city's "100 measures" aimed at promoting opening-up and attracting new foreign investment, the Shanghai Daily reports.

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