China Business Weekly

22 February 2022

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

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 Gent.

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 Gent; 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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Webinar: Internet of Things: Past, Present, and Future in the Chinese context 15 March 2022, 10h00 - 11h00

The Flanders-China Chamber of Commerce – with the support of Flanders Investment and Trade – is organizing a webinar, **'Internet of Things: Past, Present, and Future in the Chinese context'.** This webinar will take place on March 15, 2022, from 10h00 am to 11h00 am CET.

We are delighted to have addressing us Karel Eloot, Senior Partner at McKinsey Greater China where he leads the McKinsey IoT Hub. He is also co-founder of Tsinghua University's Digital Capability Center and Chairman of the Benelux Chamber of Commerce East China | Shanghai.

Karel will talk about global trends and recent developments in IoT, after which he will then focus on the Chinese context. Topics include: whether or not China will create a separate IoT world, IoT adoption and use cases in China compared to the rest of the world, competition between MNCs and domestic companies in China, and the implications for all stakeholders involved.

Program:

10h00-10h05: Welcome speech by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

10h05-10h50: Presentation by Karel Eloot, Senior Partner at McKinsey Greater China

10h50-11h00: Question & Answer session

Practical information:

Date and time: March 15, 2022, 10h00-11h00

Location: Online

Price for members: Free

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Celebration of the 15th Anniversary of the China Platform: Panel discussion "Innovation and R&D: Future Prospects with China" 21 March 2022 – Het Pand, Ghent

The year 2021 marked the 15th Anniversary of the China Platform in Ghent University. So this calls for a big festivity!

On 21 March 2022, the China Platform will to host a festive 1-day event in the Convention Center Het Pand. During this event, the China Platform will also present its third book about the Ghent University–China cooperation of the past 15 years, since the establishment of the China Platform.

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

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

The live event in Het Pand and will also be livestreamed.

Important notice: participants who cannot physically attend the event are kindly requested to register themselves as well in order to obtain the link for livestreaming.

As part of the **celebration of the 15thAnniversary of the China Platform**, the Flanders-China Chamber of Commerce and Ghent University are organizing a **panel discussion on "Innovation and R&D: future prospects with China"** with the following participants:

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

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

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

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

Mr Birk Vanderweeën, General Manager Europe, Legend Biotech

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

Full program of the celebration:
Morning

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

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

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

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

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

Afternoon

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

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

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

Prof. Rik Van de Walle, Rector of Ghent University

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

Mr Mathias De Clercq, Mayor of the City of Ghent

Mr Daan Schalk, CEO of the North Sea Port

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

17:00 – 18:00 Reception

Website: www.ugent.be/chinaplatform

Email: chinaplatform@ugent.be

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ACTIVITIES SUPPORTED BY FCCC

2022 Guangzhou International Agricultural Products Expo – 7- 9 April 2022 – Guangzhou

Flanders Investment & Trade Guangzhou office is organizing a booth at the 2022 Guangzhou International Agricultural Products Expo from 7 to 9 April in Guangzhou. This is an opportunity for Flemish companies in the agricultural sector to promote their products in China despite the Covid restrictions. The Expo covers the following topics:

- Fruits and vegetables: all kinds of fruits, vegetables and fruit and vegetable products, related technical equipment, etc.
- Grain and oil: rice and rice products, coarse cereals, edible oil, flour products, etc.
- Famous and special new agricultural products: green food / organic food / national geographical indication products, local specialties, livestock and poultry products, meat, aquatic products, bee products, bean products, fungi, pickles, special food materials, seasonings, flavor food, nutrition and health food, drinks, e-commerce,

etc.
- Tea: black tea, green tea, oolong tea, white tea, yellow tea and black tea, as well as reprocessed tea and related tea products.
- Food machinery and equipment: Food and beverage packaging and processing equipment, quality testing equipment, etc.

Flemish companies interested in participating can contact Ms Eva Verstraelen, FIT Economic Representative in Guangzhou at eva.verstraelen@fitagency.com providing following info:

- Company profile in English
- One page in English with USPs, website and contact details, which will be translated by FIT in Chinese
- An e-poster to decorate the stand. If an editable version is provided, this can also be translated in Chinese
- If relevant and desirable, also provide samples or gadgets

To discuss this opportunity with Eva Verstraelen, you can book a call on her booking page.

More information is available on the website of the exhibition at www.cagfair.com

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HEALTH

Hong Kong reports thousands of daily Covid cases

The number of daily Covid-19 cases in Hong Kong continues to rise. Prof. Gabriel Leung, University of Hong Kong's Dean of Medicine, admitted; "We are nowhere near the peak". On February 19 and 20, Hong Kong logged 12,130 new infections, reporting about 6,000 new cases on both days. On February 21, a single-day record of 7,533 cases was reported as well as 16 Covid-related deaths. A total of 29,408 infections were recorded in the past five days, accounting for 48.7% of the total since the start of the pandemic. Dr Sarah Ho of the Hospital Authority described a "crisis situation", and Hong Kong Clinical Virologist Dr Siddharth Sridhar said the hospitals were "sandcastles in a tsunami".

In an unprecedented warning to the Hong Kong authorities, Chinese President Xi Jinping admonished the Hong Kong government to take the "main responsibility" in tackling the coronavirus pandemic, urging it to stabilize the situation as soon as possible. He also expressed his concern about the epidemic situation in the city. Executive Councillor Wong Kwok-kin said Xi's emphasis on the Hong Kong government's "main responsibility" in battling the outbreak reflected the central authorities' dissatisfaction with city officials' lack of planning to stay ahead of the latest Covid wave. Vice Premier Han Zheng has instructed the Hong Kong government and the relevant authorities to "firmly implement Xi's instructions", and directed the relevant authorities in Beijing and Guangdong to handle requests made by Hong Kong.

Hong Kong and mainland Chinese officials have shortlisted three sites for the construction of a mega makeshift hospital to house the rising numbers of coronavirus cases that have stretched health care resources to the limit. The three potential sites under discussion include an extension of the existing Penny's Bay quarantine center, the Lok Ma Chau Loop near the border and the AsiaWorld-Expo. Construction of a mega-hospital is a key objective of the new joint task force involving local and Guangdong province officials, set up after Hong Kong's Chief Secretary John Lee met mainland officials in Shenzhen. For now, Hong Kong's Covid-19 patients are being isolated in designated public housing blocks and hotels or sent to health clinics to ease the strain on hospitals. About 3,000 flats in three designated public housing blocks are being used to isolate infected people,

and hotels would provide another 10,000 rooms. Seven public clinics designated for Covid-19 patients waiting to be admitted to government-run facilities will also have begun operation.

Chief Executive Carrie Lam said the government had no plans for a complete lockdown for compulsory testing but confirmed that focused, district-based lockdowns were being considered. The Chief Executive's election in Hong Kong, originally planned for March 27, was postponed till May. Medical experts warn the city could see 28,000 daily infections by the end of March, and there were worries about the large numbers of elderly people who are not vaccinated. Hong Kong will introduce a vaccine pass from February 24, requiring residents to show proof of vaccination before entering restaurants, supermarkets and shopping malls. Five special task forces have been set up, focused on boosting local testing capability, pathological examinations, constructing quarantine facilities, and supplying medical goods and fresh food.

In response to the outbreak in Hong Kong, **neighboring Shenzhen in Guangdong province has tightened Covid-19 prevention and control measures** to prevent imported cases from spreading in the city by strictly implementing closed-loop management of truck drivers at cross-border transfer stations. Shenzhen has registered 13,655 cross-border truck drivers who are exempt from quarantine requirements when entering the city as long as they can show a negative nucleic acid test and green health code. The city has 17 cross-border transfer stations for trucks that operate between the mainland and Hong Kong every day. The new measures were introduced after a truck driver in Shenzhen tested positive at a cross-border truck station. Since February 7, Shenzhen authorities have required cross-border truck drivers from Hong Kong to show negative results for nucleic acid tests done in the past 24 hours and they are required to have samples collected at entry ports for another test.

Subway and bus services between Shanghai and the neighboring city of Suzhou were suspended last week to curb the resurgence of Covid-19 in Jiangsu province after seven confirmed cases and one asymptomatic one were reported in Suzhou, all of the Omicron variant. Cinemas, mahjong and chess rooms, internet bars, KTV, game rooms, bars and other public areas were closed down. Suzhou residents are required to stay home, avoid gathering and wear masks and are asked to avoid leaving the city unless it is absolutely necessary. Mass testing has been conducted in Suzhou Industrial Park – an important high-tech development zone that hosts about 100,000 companies and accommodates manufacturing facilities of foreign firms such as Samsung and Eli Lilly. In the past few days an outbreak of Covid-19 has also been reported in Inner Mongolia, as well as a single-digit number of cases in Liaoning, Guangdong, Shanxi, Sichuan, Yunnan and Heilongjiang.

Chinese scientists from Tsinghua University, Peking University and the Chinese Academy of Medical Sciences have **developed a system to detect traces of the coronavirus in the air**, which was first used during the 2022 Beijing Winter Olympic Games. The new tool consists of a portable collector designed to suck in ambient air and shake out aerosol droplets consisting of fine particles that can carry the coronavirus. The detector is 10 times more sensitive than regular nucleic acid testing tools. The system is likely to be used in hospitals, train stations and airports in the future.

Local governments in China have been banned from imposing unauthorized lockdowns, in the latest attempt to fine-tune the country's coronavirus policies and boost the services sector. The National Development and Reform Commission (NDRC) instructed all regional authorities to not impose any citywide or district-wide lockdowns that go beyond relevant coronavirus prevention and control measures issued by the central government or cut off public transport unnecessarily or without approval. The NDRC also urged local governments not to shut down or extend the closure of restaurants, supermarkets, scenic spots and cinemas without epidemiological investigation or a policy basis. "We will resolutely avoid both the tendencies of 'loosening prevention and control' and 'excessive prevention and control'," the NDRC said. The new rules are part of efforts to adopt a further "targeted" approach in virus rules to help services return to normal, the NDRC added.

The National Administration of Disease Prevention and Control has been upgraded to supervising and managing local disease control agencies and disease control work at medical institutions. The Administration has now become a Vice-ministerial level body. Consolidating the responsibilities in one agency, as well as giving it more power to lead lower-level institutions, is expected to help prevent outbreaks and safeguard public health. Previously, disease control responsibilities and decision-making power were dispersed among multiple government departments, hampering the rollout of coordinated and assertive measures in the face of an acute health emergency. Respiratory disease expert Zhong Nanshan said that the Covid-19 outbreak has shown that convoluted procedures for reporting an emergency to higher authorities could lead to missing the window of opportunity for swift containment. "The establishment of the National Administration of Disease Prevention and Control can make up for the shortfall and save precious time," he said.

Meanwhile, **several cities in Guangdong province have offered rewards for tips on infected people trying to cross the border from Hong Kong**. The Daya Bay Economic and Technological Development Zone in Huizhou is offering a reward up to CNY500,000 for tips leading to the capture of persons crossing the border illegally, while Zhuhai has paid its first reward of CNY100,000 to residents who tipped off departments cracking down on illegal border crossings. The cities of Zhongshan, Dongguan, Jiangmen, Shanwei and Chaozhou are also offering rewards. Jiangmen has set up a special fund of CNY1 million to reward residents who tip off police. Police in Zhongshan recently detained 19 people suspected of crossing the border illegally. All passengers entering Guangdong from Hong Kong have been required to undergo two weeks of quarantine, plus another seven days of home isolation, since January 26.

This overview is based on reports by the Guardian, China Daily, Global Times and South China Morning Post.

MACRO-ECONOMY

Ministry of Industry and Information Technology to promote 3,000 "little giant" companies

The Ministry of Industry and Information Technology (MIIT) aims to cultivate 3,000 "little giant" companies this year, which will help enhance the resilience of industrial supply chains and boost the innovation and vitality of the economy. The phrase "little giant" refers to small and medium-sized enterprises that focus on a market niche and master key technologies with a strong innovation capacity and big market share. Xu Xiaolan, Vice Minister of Industry and Information Technology, said SMEs are a significant force to maintain the security and stability of the industrial and supply chains. Policies will encourage large enterprises to open the market, technologies, and talents to SMEs, Xu said, adding SMEs will enjoy more policy support. The move is part of China's broader plans to promote the high-quality development of SMEs, which are vital for stabilizing growth and creating jobs.

By 2025, the country aims to develop one million innovative SMEs, 100,000 SMEs that specialize in niche sectors and 10,000 "little giant" companies. Under the plan, the country will take steps to make its policies more efficient and targeted, implement tax policies conducive to the development of SMEs, further lighten the burdens of SMEs, build a system to effectively serve the SMEs and ensure a level playing field. More efforts will also be made to prevent and stop monopolistic behavior that exclude and limit the participation of SMEs in fair market competition, crack down on all kinds of unfair competition and guide financial institutions to increase support for SMEs.

Dong Xiaoyu, Senior Expert at Zhongguancun Development Group, said SMEs are facing difficulties and challenges such as the Covid-19 pandemic, rising raw material prices and high logistics costs. Dong said the plans will help the government to have a better understanding of the current situation of SMEs and focus on increasing support for SMEs, which will help stabilize the economy. MIIT data showed that as of November, **China had incubated more than 4,762 national-level "little giant" enterprises**.

Qu Xianming, Manufacturing Industry Analyst, said innovative SMEs are a key link in the entire industrial chain and their role is irreplaceable. Cultivating globally competitive "little giants" can help China better stabilize the supply chain and seek high-quality development in manufacturing, he said. "China lags behind developed countries in making certain high-end industrial components, and the efforts to nurture SMEs that specialize in one or two products can help the country achieve breakthroughs in crucial areas and complement its industrial structure," Qu said. In 2020, the China SME Development Fund Co, a fund with registered capital of CNY35.75 billion, was set up in Shanghai to promote the sustainable growth of SMEs in key sectors. The Ministry of Finance acts as a limited partner to the fund with a 42.66% stake amounting to CNY15.25 billion.

Amid the Covid-19 pandemic, the central government has also rolled out a set of policies, including tax rebates, to help SMEs resume work and solve financial difficulties. Cao Yuteng, CEO of FlexBot, a self-driving technology startup in Guiyang, Guizhou province, said he is very excited to see the government's commitment to help SMEs. "Despite short-term difficulties amid the pandemic, we are working hard to use technologies to improve efficiency. We are confident about future development," Cao said, as reported by the China Daily.

MARKETING

Multinational consumer goods companies doing well in China

Multinational consumer goods companies are reporting good results in China. French cosmetics firm L'Oreal Group said its growth in the Chinese mainland last year was double the average of the overall beauty products market. In the quarter ending in December, L'Oreal China achieved year-on-year growth of more than 50% compared with pre-Covid 2019. The North Asia zone, which is centered around Shanghai and also encompasses markets like Japan and South Korea, registered a 17.6% year-on-year surge in 2021, which slightly surpassed the 16.1% rise for the entire group. Fabrice Megarbane, President of L'Oreal North Asia Zone and CEO of L'Oreal China, said the company will "keep growing fast in double digits in 2022". "China continues to make the market become more stable, open and fair," he told China Daily. "A better business environment is one of the best pieces of evidence of China's growing economic development, and L'Oreal is benefiting a lot from it."

Likewise, fast-moving consumer goods company Unilever presented a solid China growth story. Sales in the country grew 14.3% year-on-year whereas global turnover was up 3.4%. Calling China a "priority market", Unilever CEO Alan Jope said the growth was broad-based across categories and channels, and especially in e-commerce.

China's vast domestic demand, which contributed to nearly two-thirds of the country's economic growth last year, provided ample space for multinational consumer goods brands, said Jason Yu, General Manager of consultancy Kantar Worldpanel China. Likewise, Coca-Cola Co registered exceptional growth in sales China. The Asia-Pacific unit case sales volume (CSV) saw an 11% year-on-year jump for the fourth quarter, outperforming the 9% surge globally, and the company attributed the growth to having been "driven by China, India and the Philippines". "China delivered strong performance in the quarter by capturing a growing trend among consumers of zero-calorie offerings. We doubled our Zero Sugar sparkling portfolio in terms of volume compared to the fourth quarter of 2019," said James Quincey, Chairman and CEO of Coca-Cola, adding that an increased share in e-commerce sales has driven growth.

"In China, with a suite of measures in place to shore up consumption and brands optimizing offerings, we expect more room for growth for consumer brands of both domestic and foreign firms," Kantar's Yu said. China is becoming a promising market where Chinese and Western cultures converge and businesses from both home and abroad stand to thrive, said Zhu Danpeng, Senior Researcher at the China Brand Research Institute. Zhu said the younger generation of consumers is boosting Coca-Cola as a icon of self-expression, while L'Oreal is benefiting from Chinese teenagers taking up skincare and makeup habits at an earlier age. "Recent data showed that China is a market where **consumers** do have growing confidence in local brands while **embracing any brand that has the ability to be innovative, adaptive and agile**," he said.

Yu said international labels that invest heavily in building digital channels, omni-channel sales and agile decision making in China stand to enjoy long-term success. He said fast-moving consumer goods sales should stabilize at a 3% to 4% growth this year, likely fueled by a growing variety of digital channels along with items that promote health benefits and cater to shoppers' psychological well-being, the China Daily reports.

CHINA NEWS ROUND-UP

EU launches WTO case against China over Huawei, Xiaomi tech infringements

The European Union has launched a lawsuit against China, claiming that it is using domestic courts to undermine intellectual property laws and allowing Huawei, Xiaomi and other telecom companies to secure cut-price technology licenses, the South China Morning Post reports. A World Trade Organization (WTO) case lodged in Geneva last week said Beijing was using new legal mechanisms known as "anti-suit injunctions" to prevent international companies from suing Chinese counterparts in foreign courts for their use of technology without licenses or permission. **The new WTO case concerns standard-essential patents (SEPs)** used by manufacturers to copyright goods that meet certain international technical standards.

Firms that have made complaints – including Sharp, Ericsson and Nokia – have been threatened with daily fines of €130,000 or criminal charges, meaning executives could be jailed in China for non-compliance, according to the EU. Swedish company Ericsson has said that the losses stemming from anti-suit injunctions run up to €150 million per quarter. EU officials said Chinese firms such as Huawei, Xiaomi, ZTE and Oppo had taken advantage of these injunctions – which were ushered in by a Chinese Supreme Court ruling in August 2020 and subsequently approved by the National People's Congress (NPC) – to cut their licensing fees in half. The EU sees it as part of an overall Chinese strategy to transfer technology for 3G, 4G and 5G to China for a reduced fee, but also to set global rules governing intellectual property protection.

Officials said they had raised the issue with China at the WTO, bilaterally and in various other legal forums, but did not receive a satisfactory response from Beijing. It marks a further decline in the EU-China trading relationship. It also shows a continuation in the EU's willingness to play hardball with Beijing over trade grievances. Last month, in a high-profile move, the EU sued China at the WTO for allegedly blocking imports of Lithuanian goods following a dispute over the naming of Taipei's representative office. The Lithuania case has frayed broader EU-China relations. Companies from Germany, France, Sweden and other EU members have also had their goods blocked because they contained Lithuanian parts.

The EU is aiming to finalize a powerful anti-coercion tool that would seek to combat perceived economic bullying by the end of this year, but member states are skeptical as to whether that timeline is realistic. "We must protect the EU's vibrant hi-tech industry, an engine for innovation that ensures our leading role in developing future innovative technologies," said EU Trade Commissioner Valdis Dombrovskis. "EU companies have a right to seek justice on fair terms when their technology is used illegally. That is why we are launching WTO consultations today." The threat of daily fines of €130,000 deterred European companies from going to foreign courts, the EU said, as reported by the South China Morning Post.

Honor becomes China's second largest smartphone maker

Honor Device Co's shipments have surged to make the company China's second-largest smartphone maker with a 16.7% market share, a new industry report from Counterpoint, a market research provider, showed. Honor won the second spot for the first time after it was spun off from Huawei Technologies in 2020. Its rise in the smartphone sector shows the battle for market supremacy is heating up, device industry experts said. Counterpoint data showed Honor increased its market share by more than two times from a year earlier in the fourth quarter of last year. Archie Zhang, Analyst at Counterpoint, said Honor's mid-range to high-end products helped drive the brand's sales, with its model Honor 50 retaining the top spot in the USD200-599 price range for five months after its launch in June. In comparison, Apple was the largest smartphone vendor in China with a market share of 21.7%, as the iPhone 13 dominated the premium segment, thanks to its comparatively lower launch price. Oppo came in a close third with a market share of 16.6%.

"Coming into 2022, we expect Honor to maintain its growth momentum with the help of newly launched products such as the Honor 60 and its foldable smartphone, the Magic V," Zhang said. According to Counterpoint's weekly China sales data, Honor enjoyed strong momentum, with its sales in the last two weeks of January increasing 32% over the first two weeks. Its market share reached a record 17% in the week to January 30. Even though China's smartphone shipments dropped 11% year-on-year in the last quarter of last year, major players kept expanding their premium product portfolios, including Vivo's X70 Pro, Xiaomi's Mix 4 and Honor's Magic 3 and Magic V, Counterpoint said.

Foldable smartphones are another hot option for smartphone makers that seek to target the premium segment with differentiated products. In December, Huawei, Honor and Oppo all unveiled their flagship foldable smartphones. Canalys forecast that foldable smartphone shipments will likely increase by a compound annual growth rate of 53% between 2021 and 2024, to exceed 30 million units in 2024, the China Daily reports.

MOFCOM refutes allegation that China is a "non-market-oriented" economy

The U.S. labeling China as "non-market-oriented" lacks any basis in international economic or trade rules, and it is completely inconsistent with the facts, Chinese Ministry of Commerce (MOFCOM) Spokesperson Gao Feng said. The statement was made in response to the Office of the U.S. Trade Representative (USTR) labeling China as state-led, with non-market policies and practices, while threatening to pursue new strategies and update its domestic trade tools to deal with China. "China has not moved to embrace the market-oriented principles on which the WTO and its rules are based, despite the representations that it made when it joined 20 years ago. China has instead retained and expanded its state-led,

non-market approach to the economy and trade," USTR Katherine Tai said. She made the remarks after her office released its annual assessment on China's compliance with WTO rules.

In addressing the USTR's irresponsible remarks, Gao Feng said that "the U.S. should make its trade tools conform to WTO rules as a member state, rather than adopting a different set of practices, in pursuing unilateralism, protectionism and bullying." The USTR's remarks about pursuing new strategies and updating its domestic trade tools in dealing with China serve as another indication that the tariffs imposed on Chinese goods have proved to be a total failure in gaining an edge against China and are a damaging tool that hurts U.S. companies and consumers as well as normal trade activities between the two major economies, experts said. Gao Lingyun, Expert at the Chinese Academy of Social Sciences (CASS) in Beijing, told the Global Times that "the message of the USTR's statement is a reflection that the tariff tool is not working and they want to cancel the tariffs, but there are no new measures yet for follow up." The U.S. tariffs on Chinese goods have added to the U.S.' costs and eventually led U.S. consumers to pay the bill imposed by their own government.

"The U.S. will realize that any attempt to increase its pressure on China will ultimately hurt its own interests," Gao Lingyun said, noting that China maintains an open attitude and hopes that the U.S. will respond correspondingly. "Many of the U.S. tactics are not aimed at solving the trade issue but at suppressing China and Chinese companies," Bai Ming, Deputy Director of the International Market Research Institute at the Chinese Academy of International Trade and Economic Cooperation, told the Global Times. "The U.S. should look in the mirror when talking about breaking WTO rules, because that is what they have been doing," Bai said.

Infrastructure projects launched to stabilize economic growth

Local governments in China are scrambling to build infrastructure projects after the 2022 Spring Festival holiday, with a focus on transportation and new infrastructure, as the country tries to stabilize economic growth with what experts said is the only effective tool it has, when both consumption and trade growth are facing uncertainties amid the lingering coronavirus crisis. **Twelve provinces and municipalities in China announced 16,079 key investment projects for 2022, with a total investment of more than CNY25 trillion.** Infrastructure projects account for a large proportion of local governments' investment plans this year, with some regions planning to pour about 80% of their investment into infrastructure projects. In many areas, the proportion has increased from last year. The new rush to beef up infrastructure is evident everywhere.

Transportation projects continue to be a focus of this year's infrastructure investment. Jiangxi province, for example, plans to invest CNY964.5 billion in a total of 641 infrastructure projects this year, including transportation projects like Ruichang airport, as well as reconstructing a section of the Shanghai-Kunming expressway. Guizhou province will kick off more than 400 major infrastructure projects with a total investment of CNY114 billion. An integral part of the money is flowing into transportation, including airport projects in Weining and Panzhou, as well as railway and freeway projects.

Apart from transportation, new infrastructure projects are another highlight in this year's infrastructure investment, with many provinces preparing to deploy more 5G base stations. Guangdong province has announced plans to build new key national laboratories, while speeding up 5G network construction to cover all county regions in eastern, western and northern Guangdong with 5G broadband. A major force behind local governments' strengthened efforts to fuel infrastructure projects is the need to stimulate and stabilize economic growth, at a time when the other two major engines of economic growth – consumption and trade – are facing uncertainties amid the coronavirus crisis, experts said.

"Currently, infrastructure investment is almost the only major method open to local governments to realize more than 5% GDP growth," Lin Jiang, Professor of Economics at Sun Yat-sen University, told the Global Times. However, experts noted that China's infrastructure investment is facing some challenges, such as a lack of funding and the fact that infrastructure networks in many regions are basically complete.

British Chamber confident JETCO will be held in 2022

The British Chamber of Commerce in China said it remains optimistic that the annual meeting of the UK-China joint economic and trade committee (JETCO) will be convened in 2022, since the last one was held in 2018, given that the UK has consistently taken the view that it is important to engage with China in areas of mutual interest, including trade. Foreign media outlets have reported that British officials are in discussions about holding JETCO this year. Such meetings between the two countries were held annually until 2018.

"The UK has consistently held the view that it is important to engage with China in areas of mutual interest, including trade. We anticipate that JETCO will continue going forward," Julian MacCormac, Chair of the British Chamber of Commerce in China, told the Global Times. JETCO is an important platform to build understanding and enhance bilateral trade and investment between the UK and China, the Chair said. Previous meetings have led to market openings in China, including in the cosmetics and food and beverage sectors, and helped support investment from China to the UK, the Chair said, hoping for positive steps to enhance trade and investment in this year's JETCO. With Prime Minister Boris Johnson reportedly seeking closer economic ties with China by restarting trade talks, the UK government's China policy, at least in economic and trade areas, seems to have taken a new turn. However, the tougher attitude toward Beijing from some cabinet members over so-called security needs, and the UK blindly following in the U.S.' footsteps, continue to cast a shadow of uncertainty that hampers the potential of bilateral economic and trade ties from being fully unleashed, experts said.

When talking about the biggest challenges for British companies in doing business in China, MacCormac said that **"most companies say they are not directly impacted by difficulties in the UK-China relationship."** The latest British Chamber of Commerce in China's Business Sentiment Survey highlights that while many companies are concerned about bilateral tensions, businesses remain overwhelmingly committed to the Chinese market and optimistic about their future in China, according to the Chamber. Despite the weak growth of the global economy remaining a concern, MacCormac said that "the British companies are optimistic about their prospects in China for 2022 and many UK companies say they have plans to increase their investment in China." The British Chamber believes that JETCO could help address some of the challenges, and the companies will have the potential to unlock significant trade and investment opportunities in China, the Global Times reports.

Real estate sector showing signs of stabilization

China's real estate sector has seen signs of stabilization, said Ibrahim Chowdhury, the World Bank's acting Lead Economist for China. "The January figures of housing sales and home prices seem to point to incipient stabilization in the sector," Chowdhury told China Daily in an exclusive interview. "This is consistent with the key message from the Central Economic Work Conference in December, which had a strong emphasis on maintaining economic stability."

According to the China Real Estate Index System, the average new home price in 100 major cities that it monitors stood at CNY16,179 per square meter in January, down 0.01% from December. A total of 46 cities saw prices drop in January, compared with 58 cities in December. The price of pre-owned homes was CNY15,987 per sq m in January, down 0.08% from the previous month. Sixty-five cities saw prices drop in January, compared with 71 in December, according to the CREIS.

In the past few months, China's policymakers have started to fine tune and adjust policies to provide some support to the real estate sector, including relaxing mortgage quotes, expediting mortgage approvals and loosening credit limits to healthy developers. "Going forward, China has some policy space to support the economy," Chowdhury said. "I think that policymakers would also need to closely monitor financial liquidity. The real challenge is to do so without deteriorating balance sheets in the real estate sector and also in local governments." Since real estate investment accounts for 20% to 25% of fixed asset investment (FAI), the sector plays a crucial role in the stable development of China's economy.

"In our view, given the government's focus on reining in financial risks in the sector, the growth in real estate investment will remain more subdued this year," said Chowdhury. "While on the upside, infrastructure investment has rebounded in China, and manufacturing capacity will also likely to be robust this year." **According to the World Bank's China Economic Update, the country's economic growth is projected to moderate to 5.1% in 2022, compared with 8.1% last year.** Although full-year growth is likely to slow down this year, the momentum will pick up, supported by a moderate easing of policy. "I'm sure that the People's Bank of China would stand ready to provide liquidity when needed," Chowdhury added. "But I think it's important that policymakers continue with the de-risking and deleveraging efforts in the real estate sector."

According to the central bank's quarterly report, China's new yuan-denominated loans totaled CNY19.95 trillion in 2021, up CNY315 billion from the previous year. The outstanding total social financing, which measures all funds moved from the financial sector to the real economy, increased 10.3% year-on-year, the China Daily reports.

China-New Zealand free trade agreement upgraded

The Ministry of Commerce announced that an upgrade to China's free trade agreement with New Zealand will enter into force on April 7, paving the way for further economic and trade cooperation between the two nations. Wang Peng, Researcher at the Huazhong University of Science and Technology's Institute for State Governance, said the upgrade marked a new landmark since China signed the bilateral FTA with New Zealand in 2008 – its first with a developed country. Wang said the upgraded FTA is part of the country's ongoing efforts to implement its free trade zones upgrading strategy and build a network of high-standard free trade zones with global reach. "It will help boost confidence in the world economy amid the impact of Covid-19, demonstrating China's firm determination to deepen reforms and opening-up," Wang added.

Wang said the upgraded FTA between the two nations will complement the Regional Comprehensive Economic Partnership (RCEP) agreement signed in 2020 by 15 countries in the Asia-Pacific region including China and New Zealand, as it can tackle specific issues in fields such as digital trade. "The upgrade protocol emphasizes that China will seek further cooperation in investment in the future, demonstrating that the nation will continue to promote outbound investment and international cooperation," Chen Chuanglian, Deputy Director of the Southern China Institute of Finance at Jinan University in Guangzhou, Guangdong province, said.

China, the world's second-largest economy, has become New Zealand's largest trading partner. Bilateral trade between China and New Zealand increased from USD4.4 billion in 2008 to USD18.1 billion in 2020, with an average annual growth rate of 14%, according to the Ministry of Commerce (MOFCOM). Bai Ming, Deputy Director of International Market Research at the Chinese Academy of International Trade and Economic Cooperation, said he expects to see upgraded FTAs between RCEP participating countries, adding that these will help strengthen industrial and supply chains in the region. **China has signed 19 free trade agreements with 26 countries and regions.** In 2020, the nation's trade volume with FTA partners accounted for nearly 35% of its total foreign trade, up from 12.3% in 2012, the China Daily reports.

816 hydrogen-powered vehicles used at Beijing Winter Olympics

816 hydrogen-powered vehicles were used at the Beijing Winter Olympics, which concluded on February 20. 312 hydrogen-powered vehicles, which only emit pure water, were used at the Beijing and Yanqing competition zones, and a total of 42.04 tons of hydrogen were consumed from the opening of the Games on February 2 to February 14. Beijing Huanyu Jinghui City Gas Technology Co, a main supplier of hydrogen power for the Games, produces and extracts hydrogen out of "green electricity" made from photovoltaic and wind power, Zhang Yan, Deputy General Manager, told the Global Times. "Our company can provide 1.5 tons of hydrogen to multiple refueling stations for the Olympics, which approximately accounts for half of the overall hydrogen consumption," Zhang said.

One of the major hydrogen buses in service was co-developed by Chinese carmaker Foton and Japan's Toyota, as well as a number of Chinese hydrogen battery and engine developers. The 12-meter-long bus, called Ouhui, can avoid emitting 57.86 kilograms of carbon dioxide every 100 kilometers. That translates into a reduction of 115.72 kilograms of carbon emissions every day, Liu Jihong, Vice President of the AUV Division under Foton Motor Group, told the Global Times. He added that the company's research and development team overcame technological difficulties, including starting vehicles in extreme cold weather, slippery roads due to snow and ice, and steep inclines. "In the Zhangjiakou competition zone, the Ouhui hydrogen-powered bus can start its engine in -30°C weather, and it will automatically activate protection procedures for storing and parking at -40°C," Liu said.

He added that the company also created China's first "U-degree" comprehensive heat management technology, which is able to collect waste heat and transform it into internal car heat for defrosting and demisting. "When the power of the fuel cell reaches 75%, all waste heat can be recycled, reducing energy consumption by 7.6%," Liu noted. Beijing aims to build an industrial cluster for key parts and equipment for hydrogen vehicles by 2025, the Global Times reports.

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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
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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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