China Business Weekly

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

FCCC/EUCBA ACTIVITIES

Webinar: How to make the most from your business in China
8 March 2022, 10am-11am CET

The Flanders-China Chamber of Commerce is organizing a webinar, '**How to make the most for your business in China in 2022'**. This webinar will take place on March 8, 2022, from 10h00 am to 11h00 am CET.

Strong and fast economic recovery reflected in the Chinese economic data in 2021 shows that the country continues to provide significant opportunities for Western brands, whether in e-commerce or sourcing and manufacturing. But the market dynamics are constantly evolving and it is not getting easier for international companies to engage with the world's 2nd largest economy. How can European businesses make the most of the opportunities in 2022 and beyond?

If it was challenging for companies to enter and expand in China before, Covid-19 appears to have compounded the issue with all the travel restrictions. Post pandemic, digital service platforms appear perfectly placed to help businesses expand into new markets by offering virtual marketplaces and connecting clients with service providers. They allow for value to be created and exchanged quickly from remote locations across the globe.

Join us to learn how other businesses are expanding in the Chinese markets, from setting up operations in Greater China to managing digital marketing campaigns and due diligence on Chinese suppliers. Come and learn the best practices as well as valuable lessons!

About the speaker: Ting Zhang is one of leading China business experts in the UK. In her previous consulting career, her clients included SMEs, FTSE100 corporates, as well as UK / European government agencies and financial institutions in the U.S. She was also a China Venture Partner for a leading European VC.

Programme:

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

10h05-10h45: Presentation by Mrs. Ting Zhang, Founder & CEO of Crayfish

10h45-11h00: Q&A Session

Practical information:
Date and time: March 8, 2022, 10h00-11h00
Location: Online
Price for members: Free

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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

SUBSCRIBE HERE

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

PAST EVENTS

China Dinner: The Picanol Journey in China – 24 February 2022

After a long period of virtual events, our chamber organized its second live event: an informal dinner on February 24, 2022 in Gent.

Mr. Johan Verstraete, Vice President Weaving Machines, Picanol Group was the guest speaker, talking about Picanol's experiences in China.

Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce, welcomed the participants and introduced the speaker.

Mr. Johan Verstraete explained that **Picanol is part of the Picanol Group**, a diversified industrial group active worldwide in the fields of mechanical engineering, agriculture, food, energy, water management, the efficient (re)use of natural resources and other industrial markets. It is present in more than one hundred locations in 25 countries and has more than 7,000 employees. The Picanol Group realized a turnover of €2.2 billion in 2020. The Group has five business segments: machines and technologies; agro; bio-valorization, industrial solutions and T-power.

The segment Machines & Technologies of Picanol Group includes the development, production and sales of high-tech weaving machines (Picanol), the foundry and mechanical finishing (Proferro) and the development and production of electronics (PsiControl). This segment has three production plants with 2,085 employees and realized a turnover of €451.3 million in 2020.

Picanol, which is part of the segment Machines & Technologies, has more than 1,300 employees and realized a turnover of €362.9 million. It invested €50 million in the last five years. Picanol is specialized in the design, development and production of weaving machines (based on airjet or rapier technology), spare parts and accessories. More than 90% of its exports are outside Europe. Picanol is an innovative top player, holding almost 900 patents. The company has production sites in Ieper (more than 700 employees) and Suzhou (China). Picanol is active on the global market. Picanol weaving machines are sold worldwide in more than 100 countries. Currently, some 2,600 weaving mills across the world are using Picanol machines, in total accounting for approximately 175,000 weaving machines. To date, Picanol has manufactured more than 375,000 weaving machines.

Picanol first became active in China in the 1960s. It established a service and training center in Shanghai in 1986 and a production plant in Suzhou in 1994, which moved to the Suzhou Industrial Park in 2004. Today, Picanol exports machines to China and has local production, service and training. Challenges include rising costs and availability of labor; the trade war with the U.S. and international sourcers diversifying away from China.

Lessons learned include:

- Focus on the market, not low cost: there is huge potential if well targeted. You should define your target segments and act consequently. Don't compete on price with local manufacturers. Define the product/market combinations and live up to them. China is no longer a low wage country.
- Adjust to the local habits and ecosystem. Build a reliable supply base.
- Build the team. It takes time. Set clear targets and focus. Use technical expertise from Europe and local management. Create clear organizational structures.
- Define your core know how and protect it, through patents, in house production or import from Europe. Keep on improving and innovating to stay ahead.

In conclusion, be loyal to your basic options; focus on local market potential, not cost. Stay flexible and react fast to market evolutions. Everything is transparent so handle carefully related to technology and pricing. If you want a partner, be selective.

Webcast: How to understand and navigate China's changing business environment for foreign investors – 22 February 2022

The Flanders-China Chamber of Commerce and The Conference Board organized a webcast to gain a better understanding of the current environment and implications for foreign businesses on February 22, 2022.

Key insights included:

- The economic circumstances that contextualize China's "Dual Circulation" and "Common Prosperity" policy shifts
- Private sector rectifications and implications for the future role of markets in China

- Forecasts for changes to the business environment in China in the run up to the Fall 2022 20th National Party Congress and beyond
- Repositioning imperatives for foreign companies in China

The speaker was Mr David Hoffman, Senior Vice President Asia and Managing Director of the China Center for Economics & Business, The Conference Board. **Ms Gwenn Sonck**, Sinologist, Executive Director, Flanders-China Chamber of Commerce and EU-China Business Association, acted as moderator.

The webcast can be viewed on the website of The Conference Board here.

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HEALTH

Hong Kong residents fear lockdown, as daily Covid-19 cases approach 35,000

Hong Kong's Chief Executive Carrie Lam has appealed for calm, insisting that no decision has been made yet on a citywide lockdown, after authorities confirmed 34,466 new infections – a 32% increase in one day – with 124 coronavirus-related deaths reported on February 28, taking the total death toll to 851. A nine-day lockdown is expected when Hong Kong launches compulsory testing this month. Under the universal screening plan that Lam unveiled, all residents will have to undergo three tests over 15 to 21 days. The mainland was sending 9,000 personnel to help carry out the testing. Some Hong Kong residents resorted to panic buying of basic goods and groceries, cleaning out supermarket shelves, after Secretary for Food and Health Sophia Chan did not rule out the possibility of a large-scale lockdown. **Hong Kong's total number of infections reached 205,780, almost double the 109,326 in the whole of mainland China.**

As the number of infections continues to rocket, local hospitals are struggling with shortages of manpower, facilities and experience in treating severe infections. **Hong Kong residents are waiting up to 39 hours for an ambulance** as the health care system struggles to keep up with an escalating wave of Covid-19 cases, with the delay up by as much as 50% in just two days. Construction of a 3,900-bed makeshift isolation facility in Tsing Yi was completed on February 28 – taking just a week to build with the help of a mainland construction team.

Gary Lau, Chairman of the Hong Kong Association of Freight Forwarding and Logistics (HAFFA), said that **the impact of the epidemic has been exacerbated** since late December when flag carrier **Cathay Pacific operated only seven weekly cargo flights to the Americas and none to Europe and Australia throughout the first quarter of 2022.** An international logistics services provider based in Hong Kong said that many containerships are unable to berth in Hong Kong due to the epidemic prevention measures, while additional procedures and sterilization work have extended the waiting time to about a week. "Because of the epidemic, all the traded goods have been affected, ranging from food to electronic devices, with prices surging by 30% to 40% compared with the period before the Chinese New Year," Lau said. The biggest concern for Lau is the fact that there are not enough truck drivers to deliver goods between Hong Kong and the Chinese mainland, an increasingly major challenge for the regional logistics work. "The drivers are under strict control in a bid to prevent the epidemic from spreading," he said. Despite the global pandemic, Hong Kong's overall import and export value in 2021 still achieved double-digit growth, with the value of exports increasing by 26.3% year-on-year and that of imports increasing by 24.3% year-on-year, according to the HKSAR government.

Travelers from nine countries – Australia, Britain, Canada, France, India, Pakistan, Nepal, the Philippines and the United States – **are barred from returning to Hong Kong till April 20.** The closure of bars, nightclubs, gyms and hair salons has also been extended until April

20. The number of diners at each table is limited to two. There are reports that more and more expats are leaving Hong Kong due to the current pandemic situation and the compulsory testing of all inhabitants. Some flights have been suspended and the price of tickets has skyrocketed. There were 27,303 departures in the week ending February 20, a fifth more than the previous week and the highest weekly net outflow since the pandemic began. Most left from the airport, with the rest going via two crossings to mainland China. Cathay Pacific Airways' website has only one flight to Singapore, on March 19, costing HKD4,181, while a flight to London can cost upwards of HKD23,000. There are also business owners inquiring to move business operations to Singapore or to create a subsidiary there.

The coronavirus is spreading in multiple regions on the Chinese mainland, with the coastal province of Guangdong facing a complicated situation, as 15 provincial-level regions had reported domestic cases in the past week. **Wuhan**, the Chinese city where the Covid-19 pandemic was first detected, **registered a number of new cases**, this time of the Omicron variant. 23 cases were found in three days, all **linked to training sessions** involving 66 employees of Nu Skin Enterprises – a U.S. skin-care company. Wuhan tested more than 720,000 residents to contain the latest outbreak. People leaving Wuhan also led to four cases being identified in Beijing after their arrival. Cases linked to Wuhan were also found in Qingdao and Shijiazhuang. The number has meanwhile increased. Beijing authorities have urged social organizations in the city to strictly control interprovincial meetings and training courses. "Online video participation is recommended," Liu Xiaofeng, Deputy Director of the Beijing Center for Disease Prevention and Control, said.

A recent Covid-19 outbreak in Suzhou, Jiangsu province, will have a limited impact on the global supply of semiconductors as local companies start to resume operations, but there will still be delays in chip deliveries in the short term. Germany's Bosch told China Daily its Suzhou company is "working hard to resume production to reduce impact on customer supply", after one of its staff was confirmed asymptomatic for Covid-19. Bosch Suzhou is one of the world's largest manufacturing bases for the company. It produces automotive electronics, chassis systems controls, car multimedia and machinery. At Hejian Technology Corp and King Long Technology (Suzhou), the Chinese mainland units of two semiconductor firms from Taiwan, employees were confirmed to have tested positive. Both firms' production was temporarily halted. Suzhou Industrial Park, where Bosch, Hejian and King Long are located, houses six of the top 10 chip packaging companies and 28 semiconductor equipment and material companies. More than 1,837 high-tech firms from home and abroad have set up branches there.

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

MACRO-ECONOMY

Russia-Ukraine conflict affecting China-Europe trade, NEV battery production

Chinese traders and logistics service providers have been ramping up efforts to cope with the rapidly evolving situation in Europe, as the Russia-Ukraine conflict raised concerns over the potential impact on the China-Europe freight train service and shipping routes by sea and air. While the actual impact remains unclear given the fast changing developments, some Chinese and international traders have canceled the use of some trading channels and routes to fend off possible disruptions, the Global Times has learned. Some European clients have expressed deep concerns over the possible impact from the escalating tensions and have started cancelling orders delivered by China-Europe freight trains, with small and medium-sized traders bearing the brunt, Tommy Tan, President of Shanghai EPU Supply Chain Management Co, who is a veteran agent of China-EU freight trains, told the Global Times.

"Due to the escalation of the conflict between Russia and Ukraine, all our trains passing through Ukraine can only be diverted to other routes as direct shipments to Ukraine have stopped," Tan said. Based on the situation, Tan's company is avoiding the borders between Ukraine, Russia and Hungary. "The major alternative trade routes to European cities are Małaszewicze in eastern Poland and Russia's Kaliningrad," Tan said.

The company is also seeking new sea ports with train service networks in Russia or other European countries as part of the contingency plans for European clients. The disruption has also affected sea transportation, with international shipping companies changing routes amid rising safety concerns. "Last week, we communicated a full stop to bookings destined to or originating from Ukraine, and cargo currently en route to Ukraine is being discharged in Port Said and Korfez," Maersk said. Gary Lau, Chairman of the Hong Kong Association of Freight Forwarding and Logistics, confirmed to the Global Times that some international shipping companies are adjusting their shipping schedules due to the conflict between Russia and Ukraine, but the actual impact is still not clear. Lau's company mainly operates on European trading routes, and

he admitted that there has been some impact on European clients, whether they are shipping cargo by sea or by air. "They are more prudent about taking orders these days," Lau said, noting that the longer the tension lasts, the greater the impact on the entire European logistics chain. “Ships cannot get into ports, and all the flight and port services have already been halted,” Qu Bo, Chairman of the Chinese Chamber of Commerce in Odessa, told the Global Times.

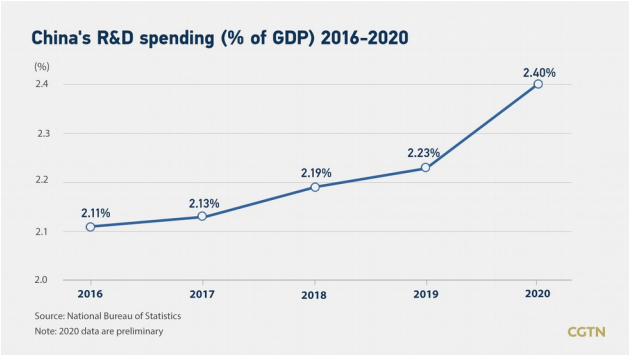
Despite the disruption, industry analysts noted that the overall impact on China-Europe freight trains from the regional conflict is manageable, mainly because the number of these trains going through Ukraine is relatively low, experts said. **“The Ukrainian route is not the main channel of the China-Europe freight train, accounting for about 3% to 5% of the entire China-Europe freight train capacity,”** a senior industry insider told the Global Times. The total container throughput of Ukrainian ports in 2020 reached 1.03 million 20-foot equivalent units, which was only 0.13% of global port container throughput, data from the Shanghai International Shipping Research Center (SISI) showed. “Judging from the density of containership routes in Ukrainian waters, it is much lower than in the Mediterranean region,” Zheng Jingwen, Research Fellow at SISI, told the Global Times.

The Russia-Ukraine conflict has sent the prices of aluminum and nickel to decade highs, causing concern over tight supply chains amid a recovery from the Covid-19 pandemic as well as threats to the production of power batteries for new-energy vehicles (NEVs), which require nickel as a raw material. **Russia accounted for around 7% of global nickel output and 18% of China's nickel imports**, mainly nickel plates for stainless steel and alloy production, instead of NEV batteries. The buoyant NEV market in China has brought hot demand for nickel, but "the nickel in Chinese NEV power batteries is mainly imported from Australia, Papua New Guinea, New Caledonia and Indonesia, so the Russia-Ukraine conflict will not cripple China's NEV supply chains," Chen Ruirui, Analyst specializing in nickel at metal consultancy Antaike, told the Global Times, while underscoring nickel's strategic significance globally.

Prices of aluminum on the LME reached the highest level since 2008, and there's likely to be a significant influence on global aluminum supply. According to consultancy Mysteel, Russia produced 3.64 million tons of crude aluminum in 2021, or 5.4% of global crude aluminum output. The U.S. government has held off for now on sanctions against Russia that could disrupt global aluminum supplies, as the market is already seeing severe shortages of the metal. Rusal, the biggest crude aluminum producer in Russia, was sanctioned by the U.S. in 2018. The sanctions resulted in severe supply tightness and rising global aluminum prices, and it finally hit the costs for downstream manufacturers. However, as the Russia-Ukraine conflict escalates, the possibility of sanctions on Rusal is rising, bringing growing concerns of aluminum supply contractions on overseas markets, an analysis by Mysteel said. The 2018 sanctions drove up China's aluminum exports at that time. “If the sanctions again appear in 2022, in tandem with the renewed demand from overseas markets from the pandemic, China's aluminum export orders are expected to rise,” Mysteel said.

INNOVATION

China increases spending on R&D, including on basic research



China spent around CNY2.79 trillion in research and development last year, a year-on-year increase of 14.2% and a signal that China has achieved a good start to the 14th Five Year Plan (2021-25), the Ministry of Science and Technology said. **R&D spending on basic research had grown to nearly CNY170 billion last year, a 15.6% increase over the prior year.** China’s basic research spending rose to 6.09% of the entire R&D expenditure in 2021, a step closer to the 2025 goal of 8%. China's basic research spending hit CNY169.6 billion in 2021.

China’s overall national innovation capability ranked 12th in the world last year, climbing two spots, Wang Zhigang, Minister of Science and Technology, said at a news conference. Beijing, Shanghai and the Guangdong-Hong Kong-Macao Greater Bay Area had also been listed among the world’s top 10 innovation hubs last year, he said, adding that China has made major strides in basic research, core technologies, institutional reforms and international cooperation.

Some notable examples in science and engineering include creating new quantum computers named Zuchongzhi-2 and Jiuzhang-2; the Tianwen-1 Mars rover starting the nation’s first exploration of the red planet; and China launching its first sun observation satellite Xihe, Wang said. China has also collaborated with 17 countries, including the United States, the United Kingdom, Malaysia and South Africa, in creating new drugs, vaccines and diagnostic technologies for Covid-19, he added. Meanwhile, China is proactively contributing to major global scientific projects such as the International Thermonuclear Experimental Reactor that seeks to unlock the secret of nuclear fusion and building the world’s largest radio telescope, the Square Kilometer Array. “During

China's reform and opening-up, science and technology has always been at the forefront of this progress," Wang said. "In the future, the door of China's science and technology will only open wider."

This year, Wang said, China will aim to strengthen its national strategic research capability, enhance basic research and core technologies, encourage the private sector to play a bigger role in making innovations, train quality talent and facilitate international cooperation. Shao Xinyu, Vice Minister of Science and Technology, said the country's 169 national high-tech zones recorded a total annual revenue of over CNY48 trillion last year, with a net profit of CNY4.2 trillion. "These high-tech zones account for 0.1% of China's land area, yet they are able to produce 13% of the country's gross domestic product," he said.

"Suffice to say, these zones are testimony to China's innovation-driven and high quality development." Zhu Xuehua, Director General of the Ministry's Department of Science and Technology for Social Development, said one major focus of the Ministry's work is to commercialize scientific findings and use innovation to improve people's lives. One example is the fight against Covid-19, he said. As of today, there are 25 Chinese vaccines in clinical trials and seven have been granted emergency use or conditional market approval, Zhu said. China has also approved 68 Covid-19 diagnostic kits for market use, with the fastest being able to produce a result in around half an hour, he said. As for treatments, one neutralizing antibody drug by Chinese scientists has been granted conditional market use and several more drugs are currently in phase three clinical trials.

"In the future, the ministry will enhance its support for science and technology that can benefit society, and facilitate breakthroughs for achieving China's carbon peak and carbon neutrality goals, as well as for combating Covid-19, cancers and other major chronic diseases," he said, as reported by the China Daily and the Global Times.

CHINA NEWS ROUND-UP

Henan's Zhecheng puts itself on the map as manufacturer of lab-grown diamonds

Zhecheng, a small city in Henan province, is often called China's diamond capital, even though the province doesn't have any natural diamond deposits. That's because of industrial clusters that manufacture and process artificially cultivated diamonds. For more than 40 years, the processing of super-hard materials has been a traditional pillar industry in Zhecheng. In recent years, the city has further developed its lab-grown diamond manufacturing sector, fueled by a strong demand for diamond jewelry from Chinese consumers. The annual worldwide output of jewelry-grade rough diamonds from labs is about 6 million to 7 million carats. Of that, China's production capacity is around 3 million carats annually – about half of the total. In China, 80% of lab-grown diamonds are made in Henan province, consultancy Bain & Co said.

The world's current proven natural diamond reserves are about 2.5 billion carats, which are non-renewable and difficult to mine, according to China Geological Survey. In 2017, the world's output of natural rough diamonds globally reached 152 million carats, a peak. Thereafter, the global output dropped about 5% annually. In 2020, the global output came in at 111 million carats, according to the Antwerp World Diamond Center. With the declining volume of natural diamonds, lab-grown diamonds are shaking up the world of fine jewelry. Synthetic diamonds, which are cheaper to produce, are proving an attractive choice for millennial consumers. Manufacturing the synthetic version also produces fewer carbon emissions than the mining of natural diamonds, making them more environmentally friendly, experts said.

In China, diamond rings are in high demand for engagements. Diamond jewelry such as necklaces and bracelets also remain popular, especially as a greater variety of stylish designs has emerged. Given the scarcity of natural diamond deposits in China, most of which are not of high enough quality for use in jewelry, the country has been relying almost completely on importing natural rough diamonds. At the same time, Henan is providing an alternative option with artificially produced diamonds. Zhecheng's production of diamond micron powder – an ultra-fine abrasive made with artificial diamonds used for grinding and polishing hard materials like gemstones – makes up 70% of the nation's output and 50% of export volume of the substance, according to the local government.

Zhecheng's industrial park for super-hard materials manufacturing is occupied by some 60 companies involved in related businesses. The city plans in the next three to five years to raise the value of the processing of those materials to more than CNY50 billion and build an industrial cluster with advanced technologies. In 2020, the penetration rate of lab-grown diamonds in the jewelry market was only 6% around the world, and 94% of jewelers still used natural diamonds as their primary material, indicating significant room for further growth of synthetic diamonds, the China Daily reports.

Car makers localizing R&D, Porsche setting up R&D facility in Shanghai

A growing number of international carmakers are localizing their research and development as auto markets in different regions are showing diverse features in the age of electrification and autonomous driving. Porsche cars developed in Germany do not necessarily best meet the demands of customers in China, said Jens Puttfarcken, President and CEO of the carmaker's China operations. He said the Stuttgart-based car manufacturer is setting up an R&D facility in Shanghai this year. Some engineers have come to China from Germany and they will be joined by more in the coming months.

"China is a very dynamic market, so dynamic that we have found **some research and development work cannot be done in Germany**," said Puttfarcken. "That is because they cannot understand – and more importantly – cannot do the testing because the ecosystem and the technology are not available in Germany," he said. Puttfarcken said the engineers in Shanghai will work on such things as autonomous driving, connectivity, electrification and charging. He said they will work in close cooperation with the R&D team in Stuttgart so that they would integrate those solutions worked out locally in China into vehicles made in Germany.

Porsche now sells 16 electric and plug-in hybrid models in China, the world's largest market for such vehicles. Porsche said its new energy vehicles (NEVs) accounted for 18% of the carmakers' 95,000 vehicles sold last year. Its first electric model, the Taycan, saw deliveries reach 7,315 units, and more than 72% of buyers did not own a Porsche before, said the carmaker. Porsche has no plans yet to produce vehicles in China though, saying the production capacity in its home country is big enough, and Chinese customers adore German engineering.

U.S. electric carmaker Tesla is to set up a design center in Beijing this year, after its R&D facility opened in Shanghai in 2021. Cui Dongshu, Secretary General of the China Passenger Car Association (CPCA), said it is becoming important for international carmakers to move closer to Chinese customers as NEVs are increasingly becoming a serious option. Last year, electric cars and plug-in hybrids accounted for 14.8% of total passenger vehicles sold in China. The figure is expected to reach 25% in 2022, said Cui. The popularity of such vehicles has made the country one of international carmakers' largest markets. Last year, Tesla sold more than 320,000 vehicles in China, accounting for more than one-third of its global deliveries. "The goal of Tesla's team in China is to design, develop and produce new vehicle models and products with Chinese elements and sell them globally," Tesla said.

"Setting up a design center is a reasonable move if you take the China market seriously," said Yale Zhang, Managing Director of Shanghai-based consulting firm Automotive Foresight. "It is difficult to come up with designs that local customers like if designers are half a world away. Meanwhile, local Chinese carmakers are rising fast as competent rivals," he said, as reported by the China Daily.

China's dependence on crude oil imports drops slightly

China's dependence on crude oil imports has dropped for the first time in the past two decades in 2021, from 73.6% in 2020 to 72% in 2021. Total crude imports declined last year to 513 million metric tons, down 5.3% year-on-year – the first time it has fallen in the past 20 years, the China Petroleum and Chemical Industry Federation (CPCIF) said. Analysts attribute the drop of crude imports and decreasing energy dependency to increasing efforts by domestic energy companies in local oil field exploration and exploitation in the past few years, which further enhanced domestic energy security. Fu Xiangsheng, Vice Chairman of CPCIF, said the country's major oil companies, including China National Petroleum Corp (CNPC), China Petroleum and Chemical Corp (Sinopec) and China National Offshore Oil Corp (CNOOC), have ramped up exploration investment during the past few years with a number of oil and gas fields coming on-stream, which in turn contributed significantly to the country's decreasing reliance on oil imports.

China has made tremendous progress in increasing domestic oil and gas production over the past few years, said Luo Zuoxian, head of intelligence and research at the Sinopec Economics and Development Research Institute. The oil majors' mastery of oil and gas exploration technology has also been on the rise, which will inject momentum into reform of the country's future oil and gas systems and mechanisms, Luo said. CNOOC, the country's top off-shore oil and gas driller, said its planned capital expenditure for 2022 will be between CNY90 billion and CNY100 billion, with exploration, development, production and others to account for approximately 20%, 57%, 21% and 2%, respectively, of its total spending. It will introduce 13 new oil and gas fields this year, while it also plans to drill 227 offshore exploration wells and 132 onshore unconventional exploration wells.

The China Offshore Energy Report released by the CNOOC Energy Economics Institute, a think tank under CNOOC, said China is becoming more self-sufficient in energy supplies in recent years, with the energy self-sufficiency rate reaching more than 80% in 2021. China's total energy production increased to 4.18 billion tons of standard coal last year, up 2.5% year-on-year, the China Daily reports.

Alibaba's sales growth slowing

Alibaba Group Holding reported its slowest quarterly sales growth since its 2014 public listing, amid regulatory scrutiny, the tough macro-economic environment and stifling competition. Total sales revenue of the e-commerce firm rose by just 10% to CNY243 billion in the quarter ended December, as slower growth was registered in its core e-commerce business. "Alibaba delivered steady progress this quarter as we continued to execute our multi-engine growth strategy in a complex and volatile market environment," CEO and Chairman Daniel Zhang said in a statement. "We achieved positive momentum in key strategic businesses through a disciplined focus on capacity building and value creation to fuel our future growth."

Danny Law, Analyst at Guotai Junan Securities, said ahead of the release of the results the numbers are "the consequence of slowing revenue growth and accelerating spending." Competition built up as e-commerce rival Pinduoduo marched ahead by effectively mobilizing people's social network contacts, and upstarts like short video app Douyin gained popularity by helping influencers peddle merchandise through short videos and live-streaming sessions.

"**E-commerce-derived growth of other platforms is outpacing that of Alibaba**, meaning they are eating into the market share of Alibaba," said Lu Zhenwang, CEO of Shanghai Wanqing Consultancy. "Douyin and Kuaishou are no doubt the shepherds of live-streaming-based commerce." Consultancy QuestMobile said users spent an average 1,871 minutes on Douyin in October, versus only 350 minutes on Alibaba's Taobao. Macro-economic conditions and sporadic instances of Covid-19 cases also weighed on consumer spending into the end of last year, which dented growth of e-commerce companies. In a major adjustment from previous practice, Alibaba started in the December quarter to separate its China and international retail businesses into different reporting categories. It has also broken out figures for its logistics arm Cainiao, and its local consumer service. Its China commerce business, which is the single largest portion of the company's revenue, came in at CNY100.09 billion, representing a 1% year-on-year fall.

On the bright side, its cloud segment jumped 20% year-on-year, and international commerce was up 18% during the December quarter. Revenue from Cainiao grew 23% year-on-year to CNY19.6 billion, driven by both the growth of fulfillment solutions and value-added services provided to China commerce retail businesses and increases in cross-border and international commerce retail businesses, the China Daily reports.

China to reduce costs of energy storing systems

China's government plans to cut the cost of energy storage systems by 2025 to help local industries leapfrog the world as the vanguard of novel energy storage technology five years later. The production cost of large chemicals-based systems will be cut by 30% by 2025, while compressed air energy-storage technology would be used in engineering applications in units with 100 megawatts of capacity, according to a five-year plan drafted by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA). The document has been sent to local government and central government-administered enterprises for implementation. "By 2030, China's new energy storage should see well-rounded market-based development, with proprietary technology, world leading innovation and manufacturing capabilities," said the industry development plan for 2021-25.

Energy storage is a key part of the Chinese government strategy to decarbonise the energy system and put the world's second-largest economy on the path to achieve carbon neutrality by 2060. Affordable energy storage is vital in turning solar and wind energy into commercially viable substitutes of fossil-fuel energy, helping to compensate for the industry's volatility and reliance on weather patterns. China is forecast to install 83 to 99 gigawatts of solar power capacity annually through 2025, according to China Photovoltaic Industry Association Chairman Wang Bohua. The energy generated by solar farms rose 14% last year to 54.9 gigawatts (GW), according to the National Energy Administration (NEA). Still, high costs have been a barrier to the large-scale deployment of energy storage systems thus far. Those costs should fall drastically, starting in 2025.

Other emerging battery technologies that will be supported by the government include sodium-ion, novel lithium-ion, lead-carbon, redox flow and compressed air, said the plan. Key demonstration projects will be rolled out in Hebei, Fujian, Guangdong, Jiangsu, and Qinghai provinces, while spot and futures trading of the power stored will be launched to support the nascent industry's growth. The five-year plan has set the tone for the support of all types of battery energy storage systems, said Daiwa Capital Market's analysts. "We expect the clearer policy visibility to support a growth in energy storage demand, averaging 46% between 2021 and 2025, versus the 20% growth in global solar farms installations and 7% for wind farms," they wrote. "We are more bullish on the lithium iron phosphate battery, given its cost and longevity advantages over lithium nickel manganese cobalt (NMC)," the South China Morning Post reports.

More than 20 provinces have already announced plans to install energy storage systems over the past year, with a combined capacity of over 40 gigawatts, Daiwa said. Installed capacity may expand to 42.5GW in 2025, soaring to 128GW in 2030, they said.

New train route from Qingdao to Mannheim comes into service

A new freight train connection of around 12,300 kilometers between Germany's Mannheim and Qingdao, Shandong province, has been launched to further link the two countries together. According to operator China Ocean Shipping Co, the first train was loaded with 100 standard containers and is scheduled to arrive in the German city after a journey of 22 days. The train is carrying raw chemical materials, auto parts, daily necessities and other goods worth around USD2.5 million. It leaves China via the Alataw Pass in Xinjiang, said Shandong Hi-Speed Group Corp.

More than 1,800 China-Europe freight trains were handled in Shandong province in 2021 alone. Through a total of 51 international train routes, goods from Shandong can reach 54 cities and 23 countries along the Belt and Road Initiative, the group said. Deutsche Bahn's subsidiary DB Cargo established a new company called DB Cargo Transasia in Shanghai at the end of 2021 to strengthen rail freight transport between China and Europe, connecting 18 European countries, the German state-owned rail operator said. "Climate-friendly and reliable rail freight transport is becoming increasingly important for global supply chains," Deutsche Bahn said.

"Demand is booming on the New Silk Road, the rail route connecting Europe and China." In 2020, DB Cargo transported around 200,000 containers between Asia and Europe. By 2025, Deutsche Bahn aims to more than

double annual capacity to 500,000 containers. The Federal Statistical Office said total foreign trade revenue between Germany and China increased by 15.1% year-on-year to €245.4 billion in 2021. For the sixth year in a row, China was a key trading partner for Germany, the China Daily reports.

Honor launches new products at Mobile World Congress 2022 in Barcelona

Honor launched a range of new products during the Mobile World Congress 2022 (MWC 2022) in Barcelona, Spain, an indication of the Chinese smartphone maker's ambition to retain its market share in Europe, while in China it sees signs of climbing steadily after the split from Huawei. It is the first time that Honor is participating in MWC as an independent brand. Products the firm launched included **the Honor Magic4 series, Honor Earbuds 3 Pro headphones and Honor Watch GS 3**. The Honor Magic4 series is Honor's flagship product that aims for the global high-end market. Honor's high-profile comeback may erode Apple's market share in China, and retake Huawei's lost ground in Chinese and overseas markets. “Honor has experiences in overseas channels, covering dozens of countries and regions, and the brand has built up a user base," Huang Haifeng, a veteran industry analyst, told the Global Times. It is standing on the same starting line with Samsung and Xiaomi, and there is no problem in the supply chains of software and hardware such as chips and mobile services, Huang added.

Huawei officially announced the divestment of the smartphone sub-brand Honor in November 2020. The sale included all the assets of Honor, and Huawei doesn't hold any stake in the new company. Honor initially experienced what it described as a tough time, but it has now rapidly regained its place in China. In the fourth quarter of 2021, Honor recovered strongly, with a market share of 17%, ranking second in the highly competitive domestic market following Apple's 21%, according to market research company Counterpoint Research. Entering 2022, Honor is expected to continue its strong growth, driven by its new products, including the Honor 60 series and Honor Magic V, according to the report. Apart from Honor, about 50 Chinese companies, including Huawei and ZTE and smartphone maker Oppo, are attending MWC 2022, bringing a range of products to impress global consumers, the Global Times reports.

Measures taken to stop the worst slump in home sales in a decade

More mainland Chinese cities are taking steps to shore up the property market as local governments and lenders eased the requirements on down payments and mortgage financing to arrest the worst slump in home sales in a decade. In Heze in Shandong province, four major banks have lowered the minimum deposit for home purchases to 20% from 30%. Buyers in Beihai in Guangxi have been able to borrow 60% of the cost to fund their second homes, up from 40% in January. **“**It signals that policy easing in the property sector may have entered a new phase,” said Zhang Zhiwei, Chief Economist at Pinpoint Asset Management in Hong Kong. “I would expect more cities to follow Heze to cut the down the payment ratio.” China’s USD1.7 trillion housing market has shown widening cracks lately.

Sales, measured by contracted volume at the nation’s 100 biggest developers, **shrank 41% in January from last year to CNY526.6 billion**, according to the China Real Estate Information Corporation. Lived-in home sales in Shenzhen, the wealthiest city in Guangdong province, shrank in 2021 to a 15-year low, according to the Shenzhen Real Estate Intermediary Association. Guangzhou recorded only 7,000 sales in January, a 56% drop from a year earlier, according to property intelligence provider CRIC China. “The local governments likely face mounting pressure to stabilize the property market,” said Zhang, citing a 72% drop in land-sale proceeds in January. “This is important as land sales accounted for around 43% of local government revenue in 2021.”

The local government in Nanning in Guangxi province said on January 15 that buyers can access CNY700,000 of provident fund loans for their first home and CNY600,000 for their second unit. Both represent a CNY100,000 increase from previous limits. “The relaxation measures are a strong signal that the government would like to repair the damage to the sector and restore market confidence,” said Pan Hao, Senior Analyst at the Beike Real Estate Research Institute in Beijing. Lenders have cut loan rates for both first time and second time home buyers in Guangzhou, the capital of Guangdong. Industrial & Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC) and Bank of China (BOC) said the mortgage rates would drop by 20 basis points, to 5.4% for the first home purchase, and 5.6% for the second unit. “We are expecting more potential home purchasers to make up their mind about buying as mortgage rates get cheaper,” said Liu Zhen, a local real estate broker in Guangzhou. “There might be more supporting measures, for example a faster mortgage approval process. A recovery is just around the corner,” he added, as reported by the South China Morning Post.

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