China Business Weekly

8 March 2022

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

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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

International Cross-border E-commerce Industry Exhibition – 15-16 June 2022 – Guangzhou

Flanders Investment and Trade (FIT) Guangzhou, along with Awex Guangzhou, will organize a free booth at the **International Cross-border e-commerce industry exhibition on 15 and 16 June, 2022 in Guangzhou**.

Flemish companies can participate free of charge, either in person – if they already have an agent or representative in China – or represented by Flanders Investment and Trade.

Interested companies are requested to provide:

- Confirmation of participation (in person or through promotional material)
- One page in English with USPs, which will be translated by FIT in Chinese
- Company profile in English
- Company logo in .ai or .eps format
- A short description in English of the main activity (e.g. international forwarder), in case it is not sufficiently clear from the company's name or logo. FIT Guangzhou will translate this in Chinese. If there is a company slogan in Chinese, please include it.
- A beautiful, self-evident picture in high resolution showing the company's activities or an attractive eye catcher.

In case you want to send gadgets or materials or have them made locally – for this and other e-commerce/logistics related expo's in the coming months in Guangzhou and Shenzhen – this can be discussed in detail with FIT.

Participation deadline: 20 April 2022.

Contact: Ms Eva Verstraelen, FIT Economic Representative in Guangzhou at eva.verstraelen@fitagency.com

NPC & CPPCC SESSIONS

Premier Li Keqiang announces GDP growth target of around 5.5% for 2022 at opening session of NPC

At the opening session of the National People's Congress (NPC) in the Great Hall of the People in Beijing on March 5, Chinese Premier Li Keqiang announced a GDP growth target of around 5.5% for 2022, the lowest since 1991, but still at the upper end of the market forecast. However, Premier Li also warned of increasing headwinds, but without mentioning the market disturbances sparked by Russia's invasion of Ukraine. Li said China had enough experience to address major risks and retained market potential, but great efforts would still be required to achieve the target. The latest report also emphasized Beijing's aim that "the normal order of work and life must be ensured" as the Covid-19 pandemic drags on, with more targeted disease control, the South China Morning Post reports. This year's GDP target is lower than the "above 6%" goal for 2021, surpassed by actual growth last year of 8.1%.

"The approach for achieving the growth rate target is clear," Li said, with **authorities expected to push infrastructure investment, ease restrictions on regional housing markets, and fine-tune Covid-19 policies** to boost consumption demand. A growth rate of 5.5% would still be a substantial gain on the USD17.7 trillion GDP total reached last year. The Chinese economy saw a net increase of USD3 trillion in 2021. Addressing NPC Deputies, Li said it was a "medium-high" GDP target, and was made keeping in mind the need to ensure economic and social stability. Policymakers have also signaled more fiscal spending, tax cuts and readiness to expand their toolbox to support growth this year. Li also underscored the need for risk control in the financial sector, including strengthening risk alerts and setting up a financial stability fund to fend off systemic risks.

Premier Li didn't mention the potential impact of the Ukraine crisis on the Chinese economy, but Scott Kennedy, China Analyst with the Center for Strategic and International Studies (CSIS) in Washington said that although the potential short-term risks were all manageable, the longer the time horizon, the greater the dangers to China's economy and its international influence. "The real danger here is whether China would risk becoming the target of Western secondary sanctions in order to maintain its support for Moscow," Kennedy wrote in a note. Zhang Zhiwei, Chief Economist at Pinpoint Management, said China might struggle to achieve its 2022 aim. "It will be a challenging year for the government to achieve this growth target," Zhang wrote. "The housing sector is slowing down, and the Covid pandemic has constrained the service sector severely. It is not clear how much infrastructure investment can grow in 2022 to offset such adverse effects from housing and Covid." Chairman He Lifeng of the National Development and Reform Commission (NDRC), said that "China's economic development has strong stamina and great resilience, and market entities are full of vigor and the ability to resist risks is strong, that is where our confidence in achieving the target of 5.5% economic growth lies". Maintaining job security was second on the list of top priorities, after stable macro-economic performance. The aim is to create over 11 million new urban jobs, as over 10 million students are due to graduate from college this year. The urban unemployment rate would be kept under 5.5%.

Premier Li said the world economic recovery was still shaky, commodity prices were high and prone to fluctuations, and China's external environment was "increasingly volatile, grave and uncertain". China is under the "triple pressures" of shrinking demand, disrupted supply and weakening expectations.

China will extend tax and fee reductions to support manufacturing, smaller businesses and self-employed individuals, with tax refunds and cuts expected to reach CNY2.5 trillion this year. The tax rebate for R&D spending by small and medium-sized enterprises (SMEs) will be raised from 75% to 100%. "This is equivalent to large-scale financial support from the state for enterprise innovation," Li said. Local governments should do their best to create jobs, improve risk controls, and guard against a systemic financial crisis, according to the government work report.

China's defense budget will increase by 7.1% to CNY1.45 trillion to "deepen comprehensive combat readiness". China has maintained single-digit growth in its annual defense budget since 2016. Last year the defense budget grew by 6.8%. Premier Li reaffirmed Beijing's commitment to the Greater Bay Area initiative, a project to turn Hong Kong and Macao, alongside nine other southern Chinese cities, into an innovation hub. He said China would stabilize foreign trade, make greater use of foreign investment and promote "high-quality cooperation" under the Belt and Road Initiative. "The vast, open Chinese market is sure to provide even greater business opportunities for foreign enterprises in China," he pledged.

China aims for a 2022 consumer price index of "around 3%". Last year's consumer inflation was 0.9%. The fiscal deficit is set at "around 2.8%" of gross domestic product (GDP). The reform of scientific research institutes will be advanced and the establishment and management of major science and technology projects will be improved. Unlike last year, this year's report doesn't mention the

"China-EU Comprehensive Agreement on Investment" or "China-U.S. business relations". Li mentioned that China will "take well-ordered steps" to achieve peak carbon emissions and carbon neutrality. Beijing will "work harder" to make coal use cleaner and more efficient, but also reduce the use of coal. The country's progress in cutting carbon dioxide emissions per unit of GDP last year met the requirements listed in the 14th Five Year Plan (2021-25), with PM2.5 density down 9.1% year-on-year and the share of days with good air quality rising to 87.5%.

CPPCC Chairman Wang Yang said in his report that "today's world is experiencing rapid changes unseen in a century, and China is undergoing the greatest and most unique process of innovation in practice that has ever occurred in human history". At the same time, the country faces unprecedented heavy tasks in promoting reform, development and stability, and it faces a great number of difficulties, risks and challenges, as well as tough tests in national governance which make it imperative to strengthen the unity of all the Chinese people, he said.

The National People's Congress (NPC) is China's legislature and the National Committee of the Chinese People's Political Consultative Conference (CPPCC) is China's top advisory body. This year, the NPC session has been shortened to six and a half days from the usual 10 days.

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

FOREIGN TRADE

China's development an opportunity, not a threat to EU, says China's Minister of Commerce

China's development offers an opportunity, and not a challenge or "threat", to the European Union, and the two sides share more for cooperation than competition, China's Commerce Minister Wang Wentao said. Wang told a media briefing in Beijing that China is willing to join hands with the EU to promote the Belt and Road Initiative and align with the EU's Global Gateway, an infrastructure initiative announced last year, while expanding cooperation and deepening related mechanisms. "It is normal for the two sides to have differences and disputes due to different histories and cultures, social systems and development stages, but the two sides could strengthen communication to promote healthy competition," he said, adding China and the EU are partners, not rivals. The two sides could have pragmatic cooperation in Covid-19 containment, green, digital, financial and technology areas among many others, and should jointly advance the ratification and entry into force of the EU-China Comprehensive Agreement on Investment (CAI), to inject more stability and positive energy for bilateral relations, Wang said.

They could step up coordination and cooperation under multilateral frameworks such as the G20, the United Nations, and the World Trade Organization (WTO), to promote the implementation of global development initiatives, maintain the multilateral trading system with the WTO at the core, and promote the WTO reforms in the right direction, he added. "We must adhere to openness and inclusiveness, abandon the zero-sum mindset, oppose protectionism, and deepen market opening-up," Wang said. "China and the EU could strengthen bilateral cooperation, as well as cooperation in third-party markets, which will not only contribute to the economic development of both sides, but also the recovery and stable development of the world economy."

Cui Fan, Professor of International Trade at the University of International Business and Economics in Beijing, said China and the EU should enhance communication to remove obstacles to the implementation of their bilateral investment agreement. According to Zhou Mi, Senior Researcher at the Chinese Academy of International Trade and Economic Cooperation, China and the EU already have a solid basis for cooperation that has huge potential for growth, especially because the global supply chain is being disrupted and the two sides share broad common interests in multilateral economic and trade rules, including under the WTO.

"The EU and China should take more initiatives to jointly promote pragmatic cooperation," Zhou said. The two sides, he said, are expected to advance long-term economic and trade cooperation, including mechanism-based cooperation arrangements, which will reduce uncertainties for enterprises seeking to grow. Based on shared interests and the world economic development trend, the two sides should also strengthen cooperation and coordination in new areas that have no widely established rules, like e-commerce and anti-trust regulation in the digital economy, he said, as reported by the China Daily.

China will proactively align with high-level international economic and trade rules, to further deepen reform and expand institutional opening-up. To that end, the country has been communicating and negotiating with the members of the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), and the Digital Economy Partnership Agreement (DEPA). Minister Wang Wentao said that China is willing to negotiate and sign free trade agreements with more economies and

countries. China's official applications to join the CPTPP and the DEPA last year have demonstrated the nation's determination to deepen reforms and expand opening-up, while also showing its sincere willingness to strengthen cooperation in the international digital economy, and promote innovation and sustainable development, he said. The CPTPP is widely considered to have the highest standards for trade rules and market access. The DEPA is a new type of trade partnership agreement on digital trade signed in 2020 by New Zealand, Chile and Singapore. "To join the CPTPP, China will make openness commitments exceeding all those in its existing free trade agreements for market access," said Vice Minister of Commerce and Deputy China International Trade Representative Wang Shouwen.

Finally, **Minister Wang said China would promote normal trade with Russia and Ukraine and not help implement Western sanctions on Russia**. Guo Shuqing, Chairman of the China Banking and Insurance Regulatory Commission (CBIRC) added that the impact the sanctions will have on the Chinese economy, and its financial sector, was not entirely clear. "But on the whole, we don't think it will have much of an impact in the future, since our economy and finances are very sound and resilient," he said. Wang Wenbin, Spokesman for China's Ministry of Foreign Affairs, also reaffirmed that the country "firmly opposes any illegal unilateral sanctions", the South China Morning Post reports.

HEALTH

China to stick with zero-Covid policy, but rules may be refined

China's strict Covid-19 control measures are unlikely to be eased in the near future, but will be fine-tuned to minimize disruptions to economic growth, Chinese Premier Li Keqiang said in his report at the opening session of this year's National People's Congress (NPC). He added that China would continue with "routine" epidemic control measures, including preventing both outbreaks introduced from overseas and any resurgence in local cases. This indicates that strict epidemic control measures at the border and within the country will continue. Li's remarks are the highest-level confirmation from Beijing that the zero-Covid response, introduced at the early stages of the pandemic two years ago, will continue, the South China Morning Post reports. China will respond to Covid-19 and pursue economic and social development in a "well-coordinated way", ensuring both development and security, Premier Li said.

China is still battling sporadic outbreaks with daily new cases exceeding 100 in the past few days. On March 7, China reported 214 domestically transmitted cases. Ten cases were previously reported in Shanghai, including seven asymptomatic ones. The 10 new cases include nine staffers working at a central quarantine site in downtown Xuhui district for people from overseas. The 10th is an employee of Pudong international airport. There are now four medium-risk areas in Shanghai. A total of 401 people who had close links with the new cases have been put under quarantine and medical observation, but all have tested negative. Some local residential communities have been put under quarantine for Covid-19 screening. All the local cases reported since March 1 have been confirmed as the highly-contagious Omicron variant. In Laixi, a county-level city under the administration of Qingdao in Shandong province, 118 cases were detected among students and teachers of a middle school and their close contacts.

Last month, Chief Epidemiologist Wu Zunyong of the Chinese Center for Disease Control and Prevention said several teams were studying to improve the current response, as the stringent measures had left private companies and the self-employed struggling to survive. Premier Li acknowledged that the service industry, including catering, hotels, retail and tourism, had been dealt serious blows by sporadic Covid-19 outbreaks in the country, but said it was the "timely and effective" handling of the outbreaks that had ensured public safety and health, and maintained the normal order of production and life last year.

"Epidemic control measures will be constantly refined. Occurrences of local cases must be handled in a scientific and targeted manner, and **the normal order of work and life must be ensured**," Premier Li said. He added that the capacity to monitor major epidemics, as well as early warning, contract tracing and epidemiological investigation, would be improved. The "one size fits all" approach will be abandoned, and local governments will not be allowed to impose unnecessary citywide or districtwide lockdowns, public transport suspensions, or epidemic control measures in the services sector not approved by the central health authorities. China would also step up research into the prevention of coronavirus variants and accelerate research and development of Covid-19 vaccines and effective therapeutics, Li pledged. Five Covid-19 vaccines have so far been approved in China, the latest being a recombinant protein version by Anhui Zhifei Longcom Biopharmaceutical.

Premier Li did not mention Hong Kong's spiraling

Covid-19 crisis in his work report, but the city's experience could convince Chinese leaders that its zero-Covid strategy should not be easily abandoned. There was panic buying by Hong Kong consumers due to concerns over Covid-related supply shortages, but Hong Kong Secretary for Commerce and Economic Development Edward Yau assured that local supermarkets have sufficient supplies. ParknShop and Watsons, the city's two retail chains, announced restrictions on the purchase of certain items like medicines, rice and toilet paper, but there is a steady supply of most goods.

A makeshift hospital in Tsing Yi, Hong Kong, for Covid-19 patients began operation after it was handed over to the Hong Kong government. The hospital, built in a week, has 3,900 isolation beds for patients with mild symptoms or who are asymptomatic. It is the first of nine such facilities to be built with the help of the central government as the city battles its fifth coronavirus outbreak. It will help the city separate infected people from healthy residents and lower the risk of transmission. The temporary hospital is made of prefabricated containers, with three beds per unit. The government also announced it will open five more clinics to treat Covid-19 patients with mild symptoms, in addition to the nine clinics currently in operation. The Hong Kong government will hire 1,000 caregivers from the mainland to work at nursing homes hit hard by infections.

China is the world's largest provider of Covid-19 vaccines, Zhang Yesui, Spokesman for the fifth session of the 13th National People's Congress, said at a news briefing. In total, China has provided over 2.1 billion doses to more than 120 countries and international organizations, accounting for one-third of the total number of vaccines administered outside China, and the majority have been provided to developing countries, Zhang said. "China's vaccines have played an important role in helping many developing countries to build immunity barriers, resume normal lives and boost their capacity, confidence and determination to beat the pandemic," he said. Zhang added that the country will continue to prioritize developing countries and make them major partners in vaccine cooperation. Zhang added that the repercussions of China's disease control measures are limited and short-term, "and they are totally worth it so as to safeguard the health of the people."

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

CHINA NEWS ROUND-UP

China's foreign trade up 13.3% in first two months of 2022

China's foreign trade increased by 13.3% year-on-year in the first two months of 2022 to CNY6.2 trillion, according to China Customs. Exports over the period surged by 13.6% year-on-year to CNY3.47 trillion, while imports hit CNY2.73 trillion, growing 12.9%. Li Kuiwen, Director General of the Statistics and Analysis Department, said those figures showed the stable performance of the nation's foreign trade at the beginning of the year, despite increasingly complex external conditions. The achievement was mainly due to the strong resilience of the Chinese economy, which has long-term healthy fundamentals, as well as the effects of policy measures targeted at stabilizing growth, he said, as reported by the China Daily.

In U.S. dollar terms, exports grew by 16.3% and imports by 15.5% year-on-year in the first two months. Data for January and February are combined to smooth out the impact of the Lunar New Year holiday, which falls at different times during the two months in different years. China's total trade surplus stood at USD115.95 billion in January and February combined.

"Export growth slowed in the first two months this year. This is alarming as exports were a main driver for economic growth last year when investment and consumption were both muted. With the export growth slowing down, the pressure on the government rises further to loosen policies to achieve the ambitious growth target of 5.5%," said Zhiwei Zhang, Chief Economist at Pinpoint Asset Management. "I think that slower export growth is well expected by the market, hence the doubt in the market if the economy can turn around in 2022. With the Ukraine crisis imposing downside risk to global demand, China will have to rely more on domestic demand in 2022. Now the pressure is on the fiscal policy to deliver."

China's imports from the United States rose by 8.3% from a year earlier to USD31.77 billion in January and February. Exports, meanwhile, increased by 13.8% to USD91.54 billion. **In January and February, China's trade surplus with the U.S. was up by 16.6% to USD59.771 billion** from USD51.262 billion over the same period last year. The Association of Southeast Asian Nations (Asean) continued to be China's largest trade partner, followed by the European Union and the U.S. China's exports to the 10 Asean countries rose by 13.3% compared with a year earlier to USD76.32 billion in January and February, while imports rose by 12.8% to USD60.27 billion. Bilateral trade between China and Russia rose 38.5% to USD26.4 billion in January-February from the previous year, the highest growth rate for the first two months of the year since 2010. The two countries have set a goal of boosting trade to USD250 billion per year by 2025.

"Trade volumes remained strong last month, but are likely to soften over the coming quarters as China's import-intensive construction sector cools further and rising inflation dampens demand for consumer goods in developed markets," said Julian Evans-Pritchard, Senior China Economist at Capital Economics. "Soaring commodity prices also mean that China's import bill will continue to grow even as demand softens, weighing on net trade," the South China Morning Post added.

Supreme People's Procuratorate calls for strengthening IPR protection

Given the vital role that business secrets play in economic development, a document on strengthening the protection of intellectual property rights (IPRs) issued by the Supreme People's Procuratorate (SPP) called for greater efforts to crack down on crimes involving intellectual property theft, inducement, fraud, coercion, electronic intrusion or other improper means, as well as stealing, spying, buying and illegally providing commercial secrets to overseas institutions, organizations and individuals. The document also asked all procuratorates to provide comprehensive protection, and to particularly focus on infringements in areas that elicit strong public complaints and expand protection of IPR in the public interest in an active yet prudent manner, said Gong Ming, Member of the SPP's Procuratorial Committee.

In addition, the SPP called for the improvement of IPR protection in new areas such as big data, artificial intelligence and genetic technology, as well as exploring ways to improve internet IPR protection and strengthen international cooperation on IPR protection and crime. In one case mentioned by the SPP, two people in Shandong province were sentenced to three years' imprisonment with probation for infringement of trade secrets in June after they used their previous company's technical information to produce a drying device at their new company, causing a loss of CNY4.8 million for their previous employer. In November 2020, the SPP set up the IPR Procuratorial Office to coordinate resources from different departments and exercise IPR criminal, civil and administrative procuratorial functions in a centralized manner. At the same time, procuratorates in nine provinces and municipalities, including Beijing, Tianjin and Jiangsu, were deployed to carry out pilot work for the centralized and unified implementation of IPR procuratorial functions. "Procuratorates in 20 provincial-level regions across the country have established IPR procuratorial departments," Gong said.

Procuratorates nationwide approved the arrest of 7,835 people for IPR infringements last year, up 9.2% year-on-year, and prosecuted 14,020 people for such crimes, up 15.4%. Liu Taizong, Director of the SPP's IPR Procuratorial Office, said the document showed that trademarks remain the main target of IPR infringement, as the number of people prosecuted for trademark-related crimes, such as counterfeiting registered trademarks and selling goods with forged registered trademarks, accounted for about 90% of those prosecuted for IPR infringement, the China Daily reports.

Factory activity expands for fourth consecutive month in February

China's factory activity expanded for the fourth consecutive month in February, amid signs of economic recovery and steady growth despite downward pressure and uncertainties, experts said. They expected policymakers to take further steps to shore up growth, including further tax and fee reductions, increased infrastructure spending, and more monetary easing. The official manufacturing purchasing managers index (PMI) came in at 50.2 in February, up from 50.1 in January, the National Bureau of Statistics (NBS) said. The 50-point mark separates growth from contraction. China's non-manufacturing PMI was 51.6 in February, up from 51.1 in January. The official composite PMI, which includes both manufacturing and services activity, stood at 51.2 in February, compared with 51 in January, according to the NBS. A separate private survey focusing on small and export-oriented businesses also showed that factory activity in February expanded. The Caixin China General Manufacturing Purchasing Managers Index stood at 50.4 in February, up from 49.1 in January.

Wu Chaoming, Deputy Director of Chasing International Economic Institute, attributed the pickup in PMI readings to factors such as the government's effective measures to stabilize growth, the improvement in demand, and the accelerated structural transformation, and said the PMI readings were likely to continue expanding in March. On the demand front, the NBS said the sub-gauge for new orders rose to 50.7 last month, versus 49.3 in January, thanks to improving market demand following the Spring Festival holiday.

Yang Jinghao, Chief Economist at Concat Data Technology (Hangzhou) Co, said the accelerated manufacturing activity in February points to the resilience of China's economy amid downward pressure and uncertainties. He also warned of challenges and uncertainties such as the crisis between Russia and Ukraine that may push global commodity prices higher, which could increase the cost pressures on manufacturing enterprises. Yang estimated China's 2022 economic growth will start low and end high, and the growth may stabilize and recover in the second or third quarter. Luo Zhiheng, Chief Economist at Yuekai Securities, said he expects the manufacturing PMI will reach a new high in the short run, and then fall slightly in the second quarter. For the whole year, Luo estimated China's economy will grow by around 5.2%, the China Daily reports.

Number of M&A deals reaches record

The volume of China's merger and acquisition (M&A) deals surged to a record of 12,790 in 2021, up 21% on a yearly basis, but their value fell 19% from the previous year's record level to USD637 billion, a report from global accounting firm PwC said. There were 97 mega-deals whose value exceeded USD1 billion each last year, many of which were aligned with key domestic economic themes like industrial upgrade, the dual-circulation development paradigm, and environmental, social and governance (ESG), the report said. The volume of domestic strategic M&As hit a record high of 5,143 in 2021, but the value dropped to the lowest level since 2015, partly due to fewer super-mega deals like those in previous

years. "China's M&As surged in terms of volume owing to the dual-circulation development pattern and ongoing industrial upgrade. The digital economy, green development and domestic consumption will continue to drive M&A transactions in the future," said Roger Liu, PwC Chinese mainland and Hong Kong Private Equity Leader. He added that the Covid-19 pandemic and geo-political uncertainties will give rise to domestic transaction activities, with corporate reorganizations and changes in strategy being a further driver of M&A deals.

The volume of venture capital investments hit an all-time high in 2021, surging 46% on a yearly basis, and the Shenzhen Stock Exchange and the technology-focused STAR Market of the Shanghai Stock Exchange were still the most popular listing destinations for PE investors, according to PwC. PwC expects China's M&A deals will likely remain at a high level this year buoyed by the ongoing transformation of the Chinese economy and plenty of capital from financial sponsors. In addition, PE and financial sponsors will continue to play an important role in all aspects of M&As in China.

"Overall, we expect PE investment activities in 2022 to be on a par with or just slightly below the record levels of 2021," Liu said. Moreover, cross-border M&A deals are expected to remain subdued this year unless there is a relaxation of Covid-19-related travel restrictions, he added. Last year, PE investment accounted for more than half of the total value of M&A in China for the first time, and the value of deals remained at very high levels in high-tech, industrial and consumer goods sectors, said Effie Yang, PwC China Transaction Service Partner, as reported by the China Daily.

Sharing economy shows resilience and potential amid Covid-19

China's sharing economy demonstrated remarkable resilience and potential in 2021 amid the Covid-19 pandemic headwinds, with a turnover reaching CNY3.69 trillion, up 9.2% on a yearly basis, according to a report from the State Information Center (SIC). The scale of direct financing for the sharing economy stood at CNY213.7 billion in 2021, an increase of 80.3% year-on-year, the report said. The sharing economy in the fields of office space, knowledge skills and life services witnessed rapid growth, with transaction volumes growing 26.2%, 13.2% and 5.8% year-on-year, respectively. The report also said the market size of the shared accommodation sector declined by 3.8% in 2021, compared with the same period a year earlier due to the pandemic and the adjustment of supervisory policies in some cities.

Although many short-term vacation rental platforms have adjusted their operating strategies and shifted their focus to rural homestays, the nation's shared accommodation segment is still facing huge pressure and uncertainty as pent-up demand for travel has not been fully unleashed and the new business model is not mature, the SIC said. The report noted that sharing services and consumption play a vital role in stabilizing economic growth. For instance, revenue from online food delivery platforms accounted for about 21.4% of revenue in the country's catering industry last year, up 4.5 percentage points from 2020. Per capita spending on food delivery platforms took up some 21.4% of the overall catering expenditure in 2021, up 4.4 percentage points year-on-year, while per capita expenditure on ride-hailing services made up 8.3% of travel consumption.

Food delivery platform Ele.me said 1.14 million delivery workers at the platform achieved stable incomes last year, with 1,877 of them being promoted to station and team leaders. A total of 10,203 delivery staff received vocational training from the platform last year, it said. Zhou Guangsu, Associate Professor with the School of Labor and Human Resources at Renmin University of China in Beijing, said the platform-based economy has not only stimulated the growth of consumption, but also promoted its upgrade, which has injected more vitality into the economy and boosted employment, the China Daily reports.

China to step up using export credit insurance

China will step up using export credit insurance, which protects an exporter from the risk of non-payment by a foreign buyer, and raises foreign trade enterprises' risk-hedging capability for the two way fluctuation of the renminbi exchange rate, as part of its holistic efforts to stabilize market entities and spur foreign trade growth, said Gao Feng, Spokesman at the Ministry of Commerce (MOFCOM). China's foreign trade faces multiple uncertainties, and the Ministry will join hands with China Export & Credit Insurance Corp (CECIC) to give full play to export credit insurance's function in risk prevention and credit enhancement, Gao said at a news conference. The Ministry will encourage local commerce authorities to intensify cooperation with the branches of China Export & Credit Insurance Corp to roll out specific support measures to deal with the differences in local situations and promote effective implementation of the export credit insurance tools, Gao said. The aim is to increase foreign trade enterprises' capability to prevent risks and boost their growth confidence, he said.

The Ministry and CECIC have already jointly issued a circular that called for full use of export credit insurance, better design of cross-cyclical insurance policies, and more support for foreign trade enterprises. The two parties will strengthen coordination on policy support, data exchange and information sharing. They will also seek to increase insurance coverage on industrial chain disruptions and bolster support for micro, small and medium-sized enterprises and new foreign trade business formats, like cross-border e-commerce and overseas warehouses. Gao said measures will be taken to reduce costs for SMEs to insure better services will be offered to them to claim losses and innovations will be made to provide customized services.

Matt Simpson, Market Analyst with GAIN Capital, said more export orders are likely to be transferred to China from other developing countries, as disruption of the Covid-19 pandemic on global supply chains will likely continue. Yet, foreign trade enterprises in China face multiple challenges, including high-level raw material prices and the fluctuation of the renminbi exchange rate, the China Daily reports.

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