China Business Weekly

15 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: 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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Webinar: What does China's slowing growth mean for foreign investors? 31 March 2022, 09h00 - 10h00

The Flanders-China Chamber of Commerce is organizing a webinar, **What does China's slowing growth mean for foreign investors?'.** This webinar will take place on March 31, 2022, from 09h00 am to 10h00 am CET.

China's economy has been slowing down over the past few months, and this is expected to continue this year. This webinar focuses on how ING looks at China's growth, sectors that benefit from recent policies, and how the Chinese economy interacts with the rest of Asia. We will also discuss what supportive measures can be expected from the central bank and the fiscal policies to be introduced by the central government.

Our guest speaker will be Mrs Iris Pang, Chief Economist, Greater China at ING Wholesale Banking.

The programme is as follows:

09h00-09h05: Welcome speech by Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce

09h05-09h40: Presentation by Mrs Iris Pang, Chief Economist, Greater China at ING Wholesale Banking.

09h45-10h00: Q&A session.

This event is free for non-members.

Practical information:

Date and time: March 31, 2022, 09h00-10h00

Location: Online

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ACTIVITIES SUPPORTED BY FCCC

Huawei Enterprise Roadshow 2022 Belgium & Luxembourg – 21-25 March 2022

Come and discover Huawei's latest products such as Campus, Data Center, Cloud, WAN, Service and many more, along with our cutting-edge solutions for different industries of Government, Education, Healthcare, ISP, Finance, Transportation, Manufacturing, CEB and Retail. You will have the opportunity to meet our team of top experts in person and try our products first-hand.

The latest IP / IT Fast Track campaign will be launched!

Stops:

Gent: 21 March 2022, 10h00 – 17h00 at Ottergemsesteenweg Zuid 808, 9000 Ghent, Belgium

Brussels: 22 - 23 March 2022, 10h00 – 17h00 at Du Roy de Blicquylaan 7, 1933 Zaventem, Belgium

Sterpenich: 24 - 25 March 2022 – 10h00 – 18h00 at Rue de Grass 103, 6700 Sterpenich, Belgium

The website for more information is here

If you have questions please reach out to your Huawei contact person or send an email to BeLux Marketing Manager: wang.minqi@huawei.com

SUBSCRIBE HERE

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 stresses the need to improve people's livelihoods at post-NPC press conference

Following the closing session of the annual National People's Congress (NPC) session, Premier Li Keqiang held a press conference for the domestic and international press, highlighting China's economic achievements in the past year. It was the tenth and last press conference for Li as a new Premier is expected to succeed him next year.

Employment, education and healthcare are high on the agenda this year so that people's livelihoods can be continuously improved, according to Premier Li Keqiang. The government will implement fiscal and monetary policies to support employment, as it is not only a matter of livelihood, but also closely related with development, he said. "Only when there is employment, there is income, and life would be promising," Li said, adding that jobs also create wealth for society. Li noted that in 2020, when China was stricken hard by the Covid-19 epidemic, the central government did not set an exact economic growth target for the year, but gave a clear target of creating at least 9 million new jobs. Finally, more than 11 million new jobs were provided, and the country saw GDP growth of 2.2%. This year, there will be a record increase in new job seekers, some 16 million in all, among them a record high 10.76 million college graduates. Apart from employment, the government will also increase funding for compulsory education and medical insurance to improve rural residents' access to public services, Li said. Most of the government's funding increase has gone toward compulsory education in rural areas, as the country still has a rural population of 760 million.

China will continue to expand high-level opening-up and work harder to keep the nation an appealing destination for foreign investment, Premier Li Keqiang said. China will maintain the policy of wider openness, no matter how the international environment may change. Li said China's economy has been deeply integrated into the world economy, with imports and exports in goods contributing to over one-third of China's GDP. In the past 10 years, China has remained the world's second-largest import market, and in the past five years, China has remained the world's largest trader in goods. Li said Chinese industries and consumption are in the process of upgrading. Thus there is tremendous potential and broad space for the growth of all types of investment. China will make the most of the opportunity of RCEP and continue to advance free trade. It will treat state-owned enterprises (SOEs), privately held firms and foreign-invested enterprises as equals and continue to work hard to keep China a popular destination for global foreign investment, Li added.

Despite a slowdown compared with previous years, **China's GDP growth target of around 5.5% points to**

the nation's proactive pursuit of economic progress on a high base and necessitates robust support from macro-economic policies, Premier Li Keqiang said. Meeting such an annual GDP growth target means the country will add a nominal output of about CNY9 trillion this year, much larger than the number a decade ago when an even higher growth rate was realized. Achieving this year's growth target is not easy given emerging downward pressures and rising uncertainties, necessitating macro-economic policy support such as expanded fiscal spending to support tax cuts and refunds, Li said.

Premier Li Keqiang also called for more dialogue and communication between China and the United States, saying that the door opened 50 years ago by the icebreaking visit of then U.S. President Richard Nixon should not be shut again, nor should there be any decoupling. "Getting the China-U.S. relationship right serves the well-being of the people of both countries, and currently there are many global challenges that require their cooperation," Li said. According to Li, the China-U.S. trade volume exceeded USD750 billion last year, an increase of 30% over the previous year.

Premier Li highlighted a few economic numbers during his press conference:

- 5.5% GDP growth target for 2022, which equals the total output of a medium economy
- CNY200+ billion reduction in the deficit compared to last year; deficit rate lowered to 2.8%
- CNY2 trillion added fiscal expenditure
- 11 million, preferably 13 million, new urban jobs to be created annually
- CNY2.5 trillion in tax cuts and fee reductions
- CNY180 billion of tax refunds for catering, transport, tourism and other sectors
- CNY9.8 trillion of transfer payments from the central to local governments in 2022, up 18%
- 4% or more of GDP to be allocated to education
- 70% of medical costs reimbursable with the percentage to be gradually increased

On the sidelines of the NPC, **Foreign Minister Wang Yi said** in a separate press conference **that "China-Europe cooperation**, going through decades of ups and downs, **is deeply rooted in solid public support, extensive common interests and similar strategic needs**. Such cooperation enjoys great resilience and potential. It cannot be reversed by any force and will not be affected by any turn of events." On the Belt and Road cooperation, he said that it "is moving forward with more partners, a stronger foundation and brighter prospects. It surely will create new development opportunities for the post-Covid world. China will work with the international community to continue advancing high-quality Belt and Road cooperation."

The National People's Congress (NPC) approved Premier Li Keqiang's government work reports after making 92 revisions, taking into account motions and proposals submitted by NPC Deputies and CPPCC Members.

This overview is based on reports by the China Daily and South China Morning Post.

HEALTH

China's daily Covid-19 cases highest since early 2020; Shenzhen locked down

The number of daily Covid-19 cases in China has been steadily increasing over the past two weeks. Confirmed cases increased from 75 on March 1 to 3507 on March 15. There are also more than a thousand asymptomatic cases reported daily. Health experts have attributed the surge of asymptomatic infections to the traits of the Omicron variant and the high vaccination rates that protect against symptoms. More than 26 provincial-level regions were affected by Covid-19 outbreaks in the past month.

The high-tech metropolis of Shenzhen with 17 million inhabitants has been put in lockdown following the detection of more than 432 cases since February 15, including asymptomatic cases. Transport services have been suspended, stores and businesses closed – except essential ones – and several rounds of city-wide testing launched. The measures will be in effect till March 20.

So far, **Jilin province and Qingdao in Shandong province have reported the most infections during this latest outbreak**. **Jilin has reported more than 1,000 daily infections and the capital Changchun is in lockdown.** As a university in Jilin city has emerged as a hotspot, the provincial government said it has set up a task force devoted to intensify testing, sanitization and supplies of materials on campus to curb the contagion's spread. Changchun, capital of Jilin province, has finished a first round of city-wide testing after reporting 48 Covid-19 cases. Three more testing rounds will follow. At least 26 government officials – including the Mayor of Jilin city – have recently been dismissed for poor performance in handling the epidemic in cities in Guangdong, Jilin and Shandong provinces.

Shanghai and Beijing are **also dealing with local**

clusters. The Shanghai government said that the source of the recent outbreak has been traced to venues contaminated by imported infections, and management oversights caused local transmissions to spread. This month, Shanghai reported more than 300 infections, compared to only 400 cases and seven deaths in the two years before the latest wave, with the majority being asymptomatic cases. Beginning on March 12, all primary and high schools in the city began giving only online classes. Kindergartens, nurseries and after-school education institutions in the city also suspended offline operations. Several office and residential buildings in Shanghai are under lockdown.

Beijing has urged residents not to leave the city unless necessary, although the number of new daily cases remained in the single digits. "With the pandemic still spreading quickly in many foreign nations and outbreaks also being reported in some domestic cities, Beijing is still facing dual risks from both domestic cities and foreign nations and regions," Pang Xinghuo, Deputy Director of the Beijing Center for Disease Control and Prevention told a news conference. Beijing's health authorities said they will further expand nucleic acid testing as the capital currently stands "at a critical stage of epidemic control." A total of 30 cases have been reported in the recent Covid-19 outbreak since March 7 in five districts of the city, with six imported transmission chains from other cities. Multiple infections have also resulted from family gatherings and public dining.

Hong Kong continues its battle with Covid as about 300,000 residents are in home quarantine. Six more Covid clinics will start operations this week. Health authorities reported 32,430 new positive cases on March 13, compared with 27,647 on March 12 and 29,381 on March 11. Authorities reported 264 deaths on March 13. However, the number of new cases is still lower than the peak of over 50,000 daily infections in early March. Businesspeople predict a wave of closures and bankruptcies if businesses cannot reopen as expected on April 21 due to the postponement of mass testing. The Hong Kong government also sent out an unprecedented emergency alert with an audio alarm in both English and Chinese informing residents about the conversion of Queen Elizabeth Hospital into a designated Covid-19 facility.

The National Health Commission (NHC) announced that China will begin using Covid-19 antigen tests as a supplementary diagnostic tool to improve early detection. Compared to nucleic acid testing – the dominant tool widely deployed in the country's mass testing campaigns – the rapid, at-home antigen tests give results more quickly but are generally less accurate. "Confirming infections still requires a nucleic acid test. Antigen testing can be used as an additional measure to screen target groups and improve our capability to detect new infections swiftly," the Commission said. Antigen tests will be available in retail drugstores and online shops.

China will strive to adopt a more scientific and precise approach to coping with Covid-19 based on changes in the pandemic situation and the characteristics of new variants, **Premier Li Keqiang said**. The goal is safeguarding lives, protecting people's health, maintaining normal production and stabilizing industrial and supply chains, Li said. He added that the coronavirus – the enemy of all humankind – is still changing, and much remains to be learned, such as the protective effects of vaccines and research into drugs. He said the international community should make joint efforts to create conditions for the world to return to normal. "China has opened fast track lanes and green corridors to ensure the normal running of companies and projects in key areas," he said. "We will continue to accumulate experience and be adaptive to new developments so as to maintain the flow of goods and personnel." Premier Li did not directly respond to a question on whether China had a road map for reopening to the world, or how long Beijing thought its zero-Covid policy was going to be sustainable. Currently, more than 87% of the Chinese population has been vaccinated, most with inactivated vaccines.

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

AUTOMOTIVE

China on track to turn from vehicle importer into exporter, thanks to NEVs

For some time, China has been one of the world's largest vehicle importers – mainly from Europe, where modern automobiles were invented. **The fast rise of new energy vehicles (NEVs)** in the nation, however, **offers an opportunity for Chinese carmakers to sell vehicles to Europe and other overseas markets.** Over 310,000 electric cars and plug-in hybrids were exported from China last year, according to the China Association of Automobile Manufacturers (CAAM), more than triple the figure for 2020 – helping the nation's auto exports reach 2 million. Statistics from the General Administration of Customs (GAC) show that of the 10 top destinations, which combined accounted for more than 78% of last year's NEV shipments, five were in Europe: Belgium, the United Kingdom, Germany, France and Slovenia. Xu Haidong, Deputy Chief Engineer at CAAM, said he expects China's NEV exports to rise further this year. He said more

countries are pushing to achieve carbon-reduction goals, and NEVs are gradually being accepted for daily commuting. However, leading global carmakers have been slower than those in China to go electric.

Toyota, the world's largest vehicle maker, only launched its campaign to go electric in December, proposing to launch its first such vehicles this year. The company's CEO Akio Toyoda said it is still pursuing a multi-pronged carbon-reduction strategy that also includes hybrid cars and hydrogen-powered vehicles. Volkswagen, the second-biggest carmaker globally and the largest in Europe, was among the first to move toward electric vehicles, announcing a strategy soon after it was involved in a diesel vehicles emissions scandal in the United States in 2015. Yet its ID.3 crossover, the first model on its dedicated electric car platform, did not launch in Europe until late 2020, and even later in other major markets, including China.

In contrast, **most major carmakers in China started to offer electric vehicles several years earlier,** partly thanks to incentives that started to be offered in 2009, a practice European countries adopted in 2020 and which the U.S. Congress passed late last year. Great Wall Motors' Ora electric brand was unveiled in 2018, while Aion – GAC's EV unit – was established the previous year. BYD, backed by Warren Buffet, was already the world's largest NEV maker in 2016.

Chinese carmakers had a first-mover advantage when countries started to go green. Norway for example decided to end sales of petrol cars by 2025, exempting EVs from taxes and providing charging infrastructure. Last year, 65% of the country's new car sales were electric, and the proportion is expected to reach 80% this year, according to the Norwegian Electric Vehicle Association. SAIC Motor, China's largest carmaker by sales, launched its electric SUV MG ES in Norway in September 2019. Nine months later, a shipment of 328 electric vans from SAIC's subsidiary Maxus left China for Norway.

In August, BYD launched its Tang electric SUV in Norway with local distributor RSA. The 1,000st such vehicle was sold in the Norwegian market in December. Frank Dunvold, CEO of RSA, said: "We have seen fantastic demand for BYD's Tang in just a few months since its launch, and this pace will escalate this year. "The people of Norway are very environmentally conscious, and the pure-electric, zero-emissions Tang SUV is the perfect fit. It is stylish, comfortable and offers great driving performance, while also being practical." Thanks to its rising acceptance of EVs, Norway is also a popular gateway for Chinese startups in Europe. Nio, which is based in Shanghai, opened its first overseas showroom in the center of Oslo last year, aiming to sell its ES8 sport utility vehicles (SUVs) and ET7 sedans as part of plans to expand globally. This year, the carmaker, which is listed in New York, plans to sell vehicles in Germany, the Netherlands, Sweden and Denmark. According to the company, by 2025 it will have established a presence in more than 25 countries and regions worldwide.

Last year, SAIC delivered more than 50,000 NEVs to Europe, accounting for over 70% of its sales to the continent. This year, the company is planning to launch an EV designed for Europe, the first of its kind in the carmaker's portfolio. Liu Xinyu, Vice President of SAIC France, said the model is the result of efforts by SAIC's teams in China and the UK to take full account of European customers' demands. He said Europe is seeing a year-on-year rise of about 20% in NEV sales, adding that this is why the carmaker is launching such a model, which will offer owners of gasoline cars a good alternative if they want to go electric. "Major German carmakers are planning to launch these vehicles as well, but they will not be available until 2025, while ours will reach the market this year," he said. Yu De, Managing Director of SAIC's International Business Department, said such a model and several others scheduled to be available in Europe this year will increase the company's deliveries to that market to some 120,000 vehicles. In addition, SAIC is strengthening its sales and service network in Europe, where the number of the company's outlets is due to reach 1,200 this year. "We are opening a new dealership every three days or so," Yu said. SAIC aims to sell at least 240,000 NEVs annually in Europe by 2025 as part of its goal to deliver 1.5 million vehicles to overseas markets that year, the China Daily reports.

CHINA NEWS ROUND-UP

Car makers calling for efforts to alleviate chip shortages

Government authorities and major carmakers in China are calling for efforts to alleviate the effects of chip shortages that have hurt the global auto industry for more than a year. The chip crisis reduced global vehicle production by more than 10 million units in 2021, of which 2 million were in China, according to AutoForecast Solutions. The situation now is less severe than in 2021, with production reduced by 650,000 units by the first week of March. China's largest SUV and pickup truck maker Great Wall Motors saw its sales plunge more than 20% in February to 70,792 units. It said the major cause was its sole supplier Bosch had failed to produce enough electronic stability systems due to chip shortages. Great Wall Motors said: "We are working with Bosch and chipmakers to raise their production to solve the current problem." Wang Fengying, the carmaker's President, said automotive-grade chips currently in need are usually 55-nanometer micro-control units. They are simpler than those used in consumer electronics but are much more demanding in reliability. Because they are much cheaper than the latest semiconductors, chipmakers are not so motivated to produce them, she said.

Another Chinese car maker, Geely, has been affected as well. Its sales in February of 78,478 units represent a 46% fall from the previous month, mainly because of Bosch's low supply of electronic stability systems. A lack of independent research and development (R&D), a high dependence on imports, and lagging development of the industrial chain are the core problems faced by China's chip industry, said GAC President Zeng Qinghong. "Chinese companies need to strengthen research in core technologies and areas such as the manufacturing of chips and packaging, to break through the technical bottleneck," Zeng said.

"We need to encourage overseas automotive chip companies to invest in China, and domestic car makers and components companies should optimize the layout of supply chains to minimize the effects of chip shortages," he said. Tian Yulong, Spokesman for the Ministry of Industry and Information Technology (MIIT), said the shortage of automotive chips has gradually eased with the world's major chip companies beefing up production, and the supply capacity of domestic chip companies also growing. The National Development and Reform Commission (NDRC) said it will make solving chip shortages a priority this year. Wang at Great Wall Motors said China should work out a five-year or even 10-year plan to foster the local sector, the China Daily reports.

Proposals to boost chip development popular at NPC and CPPCC sessions

Proposals to develop and produce integrated circuits were popular at the just concluded sessions of the Chinese legislature (NPC) and advisory body (CPPCC) in order to attain technology self-sufficiency. Analysts and legislators called for greater efforts to ratchet up innovation and production of microchips. More importantly, more efforts are required to promote the use of locally developed chips. At a time when Moore's law is no longer valid, a rare opportunity emerges for the development of IC technology and industry development, fanning hopes for China to catch up with the Western advanced countries at a quicker pace, Deng Zhonghan, Commander-in-Chief of the Starlight China Chip Project said. Today it is no longer enough to pack more transistors onto each chip to enhance performance. Addressing the West's crackdown on Chinese IC firms that inhibits purchases of advanced mask aligner tools, amplifies the shortage of high-end materials and professional talent, Deng proposed that the rollout of more powerful policies could be considered.

The U.S. is also pushing chip development. U.S. President Joe Biden pressed Congress to finalize a bill to beef up U.S. competitiveness against China in the microchip field. The bill would potentially include funds of USD52 billion for the U.S. semiconductor sector. The European Commission proposed the European Chips Act in February, which includes the Chips for Europe Initiative with €11 billion made available to strengthen chip research, development and innovation.

According to Deng's proposal, China should continue to pool national resources, and ramp up policy and funding support for IC initiatives. The sci-tech innovation-heavy STAR Market in Shanghai needs to expedite listings of core chip businesses. The number of chip-focused suggestions during the two sessions indicates an increased drive to foster the country's homegrown chip capabilities, Ma Jihui, a veteran telecommunication industry analyst based in Beijing, told the Global Times. "But other than an even sharper focus on chip self-sufficiency, what the country needs is specific plans that break down the national vision into feasible projects that fit into those chip-hungry industries," Ma said. Rather than a host of local governments flooding into chip initiatives, an issue often seen whenever a national economic push tops the government agenda, a more nuanced and sophisticated approach to calibrating the chip push is needed, he noted. One of the weak links of the indigenous chip push is the insufficient use of locally developed chip products, according to Ma, due to concerns that some local chips are not on par with their overseas peers, the Global Times reports.

U.S. SEC identifies five Chinese listed companies as not complying with audit requirements

The China Securities Regulatory Commission (CSRC) has entered into talks with its U.S. counterpart after the U.S. Securities and Exchange Commission (SEC) identified five U.S.-listed Chinese companies failing to follow the Holding Foreign Companies Accountable Act (HFCAA). Passed in late 2020, the act aims to prevent Chinese mainland companies from listing on U.S. exchanges if they have not complied with audit

requirements from the Public Company Accounting Oversight Board – the organization overseeing the audits of U.S.-based public companies – for three consecutive years. It is the first time that Chinese companies are identified as failing to adhere to the Act. The five companies include fast-food restaurant company Yum China Holdings, semiconductor manufacturer ACM Research and biopharmaceutical companies Zai Lab and Hutchmed (China). They are required to submit evidence disputing their identification by March 29. If not, these companies may be delisted from U.S. exchanges in early 2024.

Yum China said the company's shares listed on the New York Stock Exchange and the Hong Kong bourse are interchangeable. ACM Research responded that the holding shareholder is making efforts to meet the SEC requirements before the due date in 2024 while a similar statement has been made by BeiGene, parent of Zai Lab and Hutchmed. Zai Lab said their identification is within company expectations and it does not mean delisting from Nasdaq since the identification is temporary. Hutchmed has not responded so far.

The SEC's latest move has hit the U.S.-listed Chinese companies' share prices and affected confidence in the companies. The Nasdaq Golden Dragon China Index, which monitors U.S.-listed Chinese companies, plunged 10.01% on March 10, its biggest daily fall since October 2008. Alibaba's and Tencent's share prices dropped 7.94% and 6.98%, respectively. With due respect for overseas regulatory bodies strengthening supervision over accounting practices aimed at improving financial information quality of public companies, the CSRC said it strongly opposes any wrongly adopted securities regulatory activity tainted with political motives, the China Daily reports.

China-Europe freight trains not disrupted by Ukraine hostilities

The China-Europe freight train service, the major pillar for cross continental trade between China and Europe as well as for countries along the route, **saw limited impact despite the escalating crisis in Europe**, industry insiders said. While there are rising concerns that the widening sanctions by the U.S. and its European allies could hit supply chains, international traders and transport service providers are keeping a watchful eye on the situation and are considering contingency measures for any potential disruption. Few lines of the China-Europe freight train service pass through Ukraine and they have all been suspended. Feng Xubin, Vice Chairman of the China-Europe Railway Express Transportation Coordination Committee, told the Global Times that the trains headed for Kiev had stopped shipments before the Russia-Ukraine crisis escalated.

The suspension caused very limited impact, according to data from Russian Railways RZD Logistics. **In 2021, container traffic through Ukraine only accounted for 2% of the westbound China-Europe freight trains.** Some routes have been changed to minimize the impact. For example, the Ukraine Southern Line was temporarily rerouted to the Polish Northern Line that connects Alashankou Port in Xinjiang to Malaszewicze in Belarus, and Budapest, Hungary. Feng said that the situation in Ukraine and Russia has caused many exporters, especially "cash-on-delivery" companies, to stop shipping to Russia, Ukraine, and many other parts of Europe and Central Asia. Some even canceled their planned shipping schedule, he said. With the unclear situation in Ukraine and the widening sanctions from the West, some industry insiders are preparing for the worst.

Data show that Russia is indispensable and a key part of freight train services. If the West continues to widen sanctions, Feng said that the freight settlement channel between China and Russia will be threatened first. "At present, freight is denominated in dollars. If the West cuts off Russia's intermediate settlement channel in the international financial system, it means that the settlement system for freight charges between China and Russia will not be able to proceed normally," Feng said, as reported by the Global Times.

Digital technologies to play bigger role in industrial upgrading

Digital technologies should play a bigger role in promoting industrial upgrading and agile manufacturing, industry insiders said. According to Premier Li Keqiang's 2022 Government Work Report, China will continue to advance digitalization of industries, and accelerate the development of the industrial internet this year. Yang Yuanqing, Chairman and CEO of Lenovo Group, said the digital economy and real economy promote the development of each other. Only when the digital economy is rooted in the foundation of the real economy can it create greater value and truly flourish. "Leading industrial enterprises should pioneer the application of digital technologies in industrial scenarios, and then promote successful applications to other enterprises or industries," Yang said. Xiao Gang, former Chairman of the China Securities Regulatory Commission (CSRC), said finance should better leverage digital technologies to serve the industrial and supply chains.

Li Yizhong, former Minister of Industry and Information Technology (MIIT), said internet and industrial companies should work together more closely. The former should learn more about the real economy, especially manufacturing, and the latter should become familiar with information technologies as soon as possible. Li said more efficient use of digital technologies in manufacturing can make production flexible. Alibaba Xunxi (Hangzhou) Digital Technology Co, a unit of Alibaba Group that focuses on smart manufacturing, for instance, is using the company's cloud computing infrastructure and the Internet of Things (IoT) technologies to enable agile manufacturing and on-demand production.

An Xiaopeng, Chief Strategy Officer of Alibaba Xunxi (Hangzhou) Digital Technology Co, said clothing orders have become increasingly smaller, dropping from tens of thousands of pieces of clothing in the past to 3,000 pieces per order, and some online orders are now as small as 100 pieces. Xunxi helps digitalize the entire clothing industrial chain from procurement, manufacturing and retail to enable on-demand and small-batch production. Xunxi also connects retailers on Alibaba's Tmall e-commerce platform directly with clothing plants to help quickly respond to

consumers' changing demands, deliver orders quickly and maintain low inventories. "Xunxi combines the advantages of consumer internet and industrial internet. It showcases China's technological prowess in consumer-oriented internet and the nation's unique position as a manufacturing powerhouse," An added, as reported by the China Daily.

Analysts also said China should step up efforts to solidify the basis for long-term, high-quality development by nurturing new growth engines, such as technological innovation, while refraining from careless stimulus. The People's Bank of China (PBOC) announced that more than CNY1 trillion in profits will be handed over to the Ministry of Finance to stabilize the economy. Room also remains for the PBOC to reduce the reserve requirement ratio (RRR) to boost credit expansion.

Soaring nickel prices put pressure on supply chains

Nickel prices have surged and caused serious damage to the global nickel market and related upstream and downstream industries, the China Nonferrous Metals Industry Association said, following an unprecedented rise in global nickel futures at the London Metal Exchange (LME). In just two days on March 7 and 8, the LME nickel futures surged 174%, followed by the rare announcement that all nickel trading on the 8th would be canceled and not resumed before March 11. The current nickel price has seriously deviated from the fundamentals and lost its guiding significance for spot prices, the Association said, pledging to ensure the supply of bulk commodities, and closely following the industry's operating situation.

The nickel price fluctuation came amid widening Western sanctions against Russia, such as excluding Russian banks from the SWIFT international payments system. Given that Russia's nickel ore accounts for 11% of the global supply, and its pure nickel accounts for 20%, the impact is not surprising, analysts said. Nickel is a key raw material for the production of stainless steel and new energy batteries, with the latter being an important item in countries embracing green development, especially China, where new energy vehicles have become a pillar industry for low-carbon transformation. The Shanghai Futures Exchange suspended trading in some nickel contracts for a day starting from the evening trading session on March 9, in response to speculation after the global price fluctuations.

Analysts said that upstream companies are less willing to take new orders, while downstream industry participants are looking at contingency measures to cope with potential supply shortages and price rises. Tesla China's official website said that the prices of the Model 3 high-performance version and the Model Y long-range and high-performance version had gone up by about CNY10,000. The current domestic Model Y high-performance version uses ternary lithium batteries, which contain nickel-cobalt and other precious metals. While there has been no confirmation about whether there is any direct connection between the Tesla price rise and that of nickel, analysts believe the nickel price jump could be a factor.

Regarding the rising costs of raw materials, Contemporary Amperex Technology, a major supplier of batteries for Tesla, said that the rise in upstream raw material prices has put pressure on the cost side and they are actively expanding the industrial chain while strengthening the cooperation with upstream and downstream partners. Domestic nickel inventories are low, at around 10,000 tons, Wang Yanqing, Industry Analyst with China Futures, told the Global Times, noting that they could run out in less than a month if the situation doesn't change. In 2021, Indonesia became the world's largest nickel producer, which was the result of a combination of Chinese technology and capital with Indonesian resources. "Indonesia's nickel ore resources are very important to the global supply chain, including the Chinese market, given its rich resources and effective cost control in mining and transportation," Gu Fengda, Analyst with Guosen Futures, told the Global Times.

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