# China Business Weekly

22 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: 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**

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## 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

# PAST EVENTS

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


**The year 2021 marked the 15th Anniversary of the China Platform in Ghent University.** On 21 March 2022, the China Platform hosted a festive 1-day event in the Convention Center Het Pand. During this event, the China Platform also presented its third book about the Ghent University–China cooperation of the past 15 years, since the establishment of the China Platform.

As part of the **celebration of the 15thAnniversary of the China Platform**, the Flanders-China Chamber of Commerce and Ghent University organized 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. **Ms Gwenn Sonck**, Executive Director, Flanders-China Chamber of Commerce, moderated the panel discussion.

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## Webinar: Internet of Things: Past, Present, and Future in the Chinese context 15 March 2022

The Flanders-China Chamber of Commerce – with the support of Flanders Investment and Trade – organized a webinar, **'Internet of Things: Past, Present, and Future in the Chinese context'** on March 15, 2022.

**Ms Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce**, welcomed the participants and introduced Dr Karel Eloot, Senior Partner at McKinsey Greater China where he leads the McKinsey IoT hub. He is also Co-founder of the Tsinghua University Digital Capability Center and Chairman of the Benelux Chamber of Commerce East-China in Shanghai. He has been living in China for more than 16 years. The fact that we can't go to China is the number one problem for companies doing business in China. Hopefully we will be able to go back to China by the end of the year, but we don't know, Ms Sonck said. But the biggest risk of doing business in China is actually not to be in China. On today's topic of IoT, China has already become a leader in innovation in several areas such as the internet industry and artificial intelligence (AI). The importance of further strengthening the digital economy is a strategic choice and according to the Chinese government digital technology should play a bigger role in promoting industrial upgrading. According to Premier Li Keqiang's 2022 government report presented at the session of the National People's Congress (NPC), China will continue to advance the digitalization of industries and accelerate the development of the industrial internet this year. Premier Li also announced a GDP growth target of 5.5%. China's market offers long-time business opportunities and many if not most of our companies are in China for China. According to a survey of European companies in China, they remain firmly committed to the Chinese market and indicate they plan to further expand their activities in China.

**Dr Karel Eloot, Senior Partner at McKinsey Greater China**, started his presentation by asking “What do we mean by the Internet of Things?” One of the big words is connectivity. Three mega trends drive the IoT revolution. The first one is connectivity: connecting devices and devices to people. There are already 8.4 billion connected devices on 700 IoT platforms worldwide. Connectivity also allows digitization of processes. The second is intelligence, machine learning and big data. About 90% of humankind's data was created in the last three years and the error rate for image and speech recognition has decreased from 27% in 2010 to less than 5% in 2017. The third group of IoT concerns flexible automation, which means humans can work together with robots.

**McKinsey did a study in 2015 predicting the potential economic impact of IoT by 2025 to be USD3.9 trillion to USD11.1 trillion.** What has changed six years later? Adoption levels are slower than what we expected, especially for the scale up of technologies. But there is a sustained benefit when implementing IoT solutions. The context has changed as Covid has put us much more online than we would have expected years ago. We now predict that for 2025 the impact may be 25% less than the previous high-end prediction but the lower end of the prediction is still about the same. Where does this downside come from? There is not one answer. Smart cities have increased in overall potential compared to what we predicted five years ago. In 2015 we were very much focussed on the B2B industries, but the evolution there is actually much slower than predicted. In some cases adoption, impact or context are off.

**What are the reasons behind the changes in adoption?** The tailwind – what is positive – is there. The perceived and actual value is further pushing the development of IoT. Headwinds include a higher than expected cost; connectivity performance is not as expected; the difficulty of installation; interoperability of different systems; and privacy and confidentiality. People are still a very big bottleneck for these transformations, including change management and the capability of talent. People are often trained in a very different environment. The three technologies that get a lot of tailwind are artificial intelligence (AI), machine learning (ML) and 5G.

**What is happening in China?** There is actually a Chinese wall between the companies in and outside China. There are no two IoT worlds, but there is also not one IoT world. There is one and a half IoT world, meaning that people operating in or with China need to take this into account. China's IoT landscape is shaped by three main drivers: customer preferences and needs; regulation; and local product innovation. The customer is not the same as in other parts of the world. China has very strong B2C applications. Regulations and product innovation are different in China. China is using its scale to accelerate development.

**Chinese consumers adopt digital technology more broadly and are more willing to share personal data for benefits.** Mobile payment penetration and the willingness to share personal data are the highest in China. China is more advanced in consumer and government use cases of AI, whereas the U.S. focusses on serving businesses. The top focus areas in the U.S. are cyber security and healthcare, while in China they are service robots, facial recognition and natural language processing (NLP). In China the government as a customer is a clear driver of IoT development. Chinese operators are more open to job-related digital services automation and asset management. That is because in China there is still more manual labor and therefore use cases in a manual labor environment. The enthusiasm of Chinese companies is higher than that of western companies as they see it as a way to close the gap with the West. To comply with Chinese regulations, cloud providers and MNCs are partnering with local companies. For example, in China, Siemens is not working together with AWS but with Alibaba Cloud. In innovation, Chinese companies are competing well and can beat MNCs, so the share of local suppliers is expected to increase. Local players are better at incorporating advanced AI features; tailoring products to China-specific needs; faster at product iteration; and better positioned on cost control.

**What does this mean for IoT suppliers?** You should build what you can sell, and focus on demand, not technology push. Learn to scale fast. Cyber security is a must. Make your solutions affordable and easy to install. **For IoT customers this means** that value proposition matters, not tech. There is no silver bullet, deploy many use cases. Technical talent drives value. Change the operating model, not just tech. **For policy makers it means** deciding your position on data regulation; pushing for interoperability; not constraining the future and building a technical army to shape the future.

**Q&A: Is there Chinese competition for Mindsphere in Europe?** Dr Eloot: Most automation players have their own platform solutions, so there certainly is competition. Mindsphere is also used in China for example in the automotive sector.

**What opportunities do you see for European SMEs in the Chinese IoT market?** Dr Eloot: There are opportunities for those who have a clear view of value that can be created from the bottom to the top of the stack, not just a sliver of it. You need to think ecosystem and be at the right side of the Chinese wall.

**How do you see the IoT and mobile private network ecosystems coexisting in China?** Dr Eloot: People are increasingly looking at how to get interoperability. The technology behind it is an enabler for value creation. Ecosystem play means you find a way to have a superior set up to catch a value. People need to think about the technology architecture that can evolve with the ecosystem.

**How will policymakers in EU and China react in a borderless technology future in a time of unprecedented economic sanctions?** Dr Eloot: The borderless technology future would be one IoT world and there won't be one, but there will be an evolution in that direction. Sanctions are not helpful to achieve more of a one IoT world.

**What are the main success factors and challenges for European businesses in China?** Dr Eloot: They need to have something to bring to China. This is the main opportunity and the main challenge at the same time. For businesses coming to China there is a tendency to overestimate the sophistication of the Chinese market. We come with specifications that are higher than those the market is willing to pay for.

**What would be the contribution of hardware for the data highway in your 2025 forecast?** Dr Eloot: The bigger growth is in the software, solutions and services. Hardware is necessary, but software has more tailwind.

**Will the development of standards make it easier or more difficult for European companies in the Chinese market?** Dr Eloot: If you are willing to work in the Chinese ecosystem, it is probably easier, but you will need a sufficient number of customers to plug for example into Alibaba Cloud. If you don't get the scale, the answer to the question is more difficult.

**Who will set the technical standards?** Dr Eloot: The overall framework is coming from regulations and policies. There are two different ecosystems developing.

# MEMBERS' NEWS

## Business Chinese Language Courses by Confucius Institute Group-T Academy

**A 3-Stage Series Course Where Busy Professionals Attend and Achieve**

Has this idea ever come to your mind: learning some Mandarin Chinese to extend your skill?
Did you hesitate because of your tight work schedule and workload?
Or maybe some people told you that Chinese is a very difficult to master?
Thus, you are still thinking and being afraid that schedule and challenges on the way may be too difficult to manage?

These Business Chinese courses can be a good solution to help you make a successful start of your learning journey because this course is:

- An online (live) Zoom course and no commuting time wasted.
- Live lessons during your lunch break hours, with least conflicts to your work.
- 90 minutes each session, one session per week, easier to fit into your tight schedule.
- With thoughtfully designed structure and contents in each lesson.
- Not only highly practical but also digestible over a week.
- Verbal communication focused, ready for you to use immediately.
- Highly interactive teaching-learning with tangible outcomes.
- With excellent track records ever since its start in 2020.
- By Top-notch native Chinese teachers, both motivated, experienced, skilled and passionate, who delivered successful courses at HSBC, Bank of England, London School of Economics and other prominent organizations in London, UK between 2016 and 2019.

**OVERVIEW**

We successfully launched five-term live online Beginners' Business Chinese (BBC) courses in September 2020, January 2021, April 2021, September 2021 and January 2022 respectively and we are opening for the 6th intake in April 2022. These courses of three levels have helped dozens of Belgian business people and professionals, many of whom followed

through from level 1 to level 3 over 12 months with great enthusiasm and satisfactory outcomes. We are excited for their progress in Mandarin Chinese and they are happy for achieving what they aimed for.

In our new term from April 19 to July 4, 2022, we are offering three stages of BBC, namely Stage 1, Stage 2 and Stage 3.

All three stages of BBC will focus on verbal communications, while expanding vocabulary, improving pronunciation and other skills. The Courses also include some cultural elements and tips essential and interesting to businesspeople.

**Dates & timing:**

• 10 sessions in total, each session is 90 minutes.

• From April 20 to June 22, 2022. On Wednesdays, from 12:00 to 13:30 CEST. (Stage 1)

• From April 25 to July 4, 2022. On Mondays, from 12:00 to 13:30 CEST. (Stage 2)

• From April 25 to July 4, 2022. On Mondays, from 14:00 to 15:30 CEST. (Stage 3)

**Delivery:**

Online live interactive webinars on Zoom.

Group members will have digital handouts, audio files and some suggested Apps.

**Registration:**

FCCC-Members: 120€/ person (VAT Excl.)

Non-Members: 150€/ person (VAT Excl.)

**More information and contact us:**

https://www.leuvenkongyuan.com/

E-mail: leuvenkongyuan@gmail.com

Interested in joining us? Please fill in the online form: https://forms.gle/4dFARU9rSdGiv6D58

## Follow the Flanders-China Chamber of Commerce on LinkedIn – Facebook – Twitter – Instagram

# HEALTH

### Jilin, Hebei and Shanghai fight against largest Covid outbreaks since Wuhan in early 2020; international flights to Shanghai diverted


**China is fighting against several Covid outbreaks with the largest ones in Jilin and Hebei provinces and Shanghai municipality.** Between March 15 and 21, China reported 14,741 confirmed Covid-19 cases with several thousands more asymptomatic ones, putting considerable strain on its dynamic zero-Covid policy. Two people who tested positive have died in Jilin province, but health authorities said they died from underlying causes, not from Covid-19. The last deaths from Covid in China were reported in January 2021.

**To reduce the risk of spreading Covid-19, all residents of Jilin province have been prohibited from traveling to other provinces or other parts of Jilin.** Those who have to travel for special reasons must register at their local police station and undergo quarantine after returning. Those who do not report their journeys truthfully will face punishment. Jilin has purchased 12 million Covid-19 rapid antigen test kits and distributing them to the worst-hit regions. “The combination of nucleic acid and antigen testing will greatly beef up detection capabilities,” Song Xiaohui, Deputy Director of the Jilin Provincial Department

of Industry and Information Technology, told a news conference. Rapid antigen testing will serve as a supplementary diagnostic tool to regular nucleic acid testing. Jilin's capital Changchun and neighboring Jilin city are accelerating the construction of makeshift hospitals. Three makeshift hospitals with 1,200 beds were previously set up and another three with around 10,000 beds are under construction. Liaoning province is now requiring a 28-day hotel quarantine and another 28 days of health monitoring at home for arrivals from abroad. The capital city, Shenyang, has shut down its airport, banned indoor dining and ordered citywide mass testing.

**In Hebei province's Langfang city – 60 km from downtown Beijing – more than 500 asymptomatic cases were reported.** Travel from Langfang to Beijing is restricted. Residents of Hebei who work in Beijing are encouraged to work from home. If they really need to go to Beijing, certificates from their work units and residential communities, and nucleic acid tests taken within 24 hours are required.

**Shanghai authorities asked citizens not to leave the city unless absolutely necessary.** Those leaving or entering the city must have a negative nucleic acid test taken within the past 48 hours. Departing travelers without a negative test will not be allowed to board planes or trains. Arriving passengers without a report must pay to receive tests at the airport or railway station. All large exhibitions, art performances and other gatherings have been banned. International flights involving 22 routes scheduled to arrive in Shanghai are redirected to 12 other airports across the country. The changes will be in effect from March 21 to May 1. Shanghai is one of China's busiest international transport hubs, handling nearly 40% of international arrivals since 2020. Shanghai's nucleic acid testing capacity has tripled over the past two weeks and now exceeds 3 million samples a day. The ongoing Covid-19 outbreak in Shanghai has resulted in more than 1,200 infections.

**Production resumed and people's lives began to get back to normal in Shenzhen** after parts of the city effectively achieved zero new cases. Stricter control and prevention measures had been introduced, metro and bus services suspended and people told to work from home. Three rounds of citywide testing were also conducted last week. The neighboring industrial city of Dongguan also eased restrictions and began to resume public transport. Shenzhen implemented a seven-day lockdown from March 13 to 20.

**The peak of the latest outbreak in Hong Kong was registered on March 2 and 3** with 76,000 and 77,000 new cases respectively. The basic reproductive number ($R_0$) has recently dropped below one. The death toll in Hong Kong has already exceeded the one for the whole of mainland China. Hong Kong's Covid-19 tally since the pandemic began is 1,047,690 cases with 5,896 related deaths. Hong Kong plans to lift Covid-related flight bans on nine countries and shorten quarantine to seven days on April 1.

**China is pushing Covid-19 vaccination for the elderly,** especially for people aged 80 and above, as clinical data showed 65% of severe cases in China are people aged 60 and above, and 65% of the severely ill seniors are not vaccinated, the National Health Commission (NHC) said. Chinese President Xi Jinping stressed science-based and accurate measures and the adherence to the dynamic zero-Covid policy to curb the spread of the epidemic soonest.

The Geneva-based **Medicines Patent Pool (MPP) has offered a non-exclusive sub-license to five Chinese enterprises** to produce the generic version of Pfizer's oral Covid-19 drug. Pfizer will not receive royalties from sales of nirmatrelvir from the MPP sub-licensees while Covid-19 remains classified as a Public Health Emergency of International Concern by the World Health Organization (WHO). Zhejiang Jiuzhou Pharmaceutical is sub-licensed to produce the active pharmaceutical ingredient (API) nirmatrelvir, while the other four firms, including Apeloa Pharmaceutical, will produce both the ingredients and the finished drugs.

**China is battling the worst outbreak of Covid-19 in two years, while slowly adapting its zero-Covid policy although not abandoning it. Antigen tests are becoming available in pharmacies** so people can test at home instead of at nucleic acid test points. China jas approved 11 antigen test kits made by local companies, including Beijing Savant Biotechnology, Nanjing Vazyme Biotech, Guangzhou Wondfo Biotech, Beijing Jinwofu Bioengineering Technology and Shenzhen-based BGI PathoGenesis Pharmaceutical Technology. But nucleic acid tests will still be used for diagnosis.

**People who test positive but are asymptomatic will no longer be admitted to hospitals**, but will be isolated in designated quarantine centers where their health will be monitored. The Global Times said that China will only relax the current policy when strong immunity is built, effective medicines are available, hospitals have well prepared for a surge in cases, society no longer fears the virus, and a consensus in reached on opening up again, which apparently has not happened yet. Since the beginning of March, a total of 28 provincial-level localities reported Covid-19 cases. Epidemiologists expect the current outbreaks to be under control by early April, with possibly 35,000 people infected.

**The fact that many countries** are dropping or have already dropped their Covid-19 measures and **are ready to "coexist with the virus" also poses a great challenge for China** to fend off the virus, especially in border cities, a CDC Expert said. Zhang Wenhong, an infectious disease expert in Shanghai, described it as "the most difficult period in the two years Covid-19 battle." He admitted that the virus is not as powerful as it was before, and there are very few severe cases. But many elderly people are not or only partially vaccinated.

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

# INNOVATION

## China sharpens focus on innovation

In his government work report to the annual National People's Congress (NPC) session in early March, **Premier Li Keqiang highlighted the need for China to further implement the innovation-driven development strategy**. He said China will promote scientific and technological innovation for industrial upgrading, eliminate the bottlenecks in supply chains and realize high-quality development through innovation. “To achieve innovation, core technology is a key,” said Ni Guangnan, Academician at the Chinese Academy of Engineering (CAE). Ni said that over the past year, China has made new breakthroughs in core technologies, including information technology. Domestic CPUs, operating systems and other basic digital technologies have been put into wide use. “Although the overall market share is small, the absolute number of such products has reached 10 million,” he said. “It fully demonstrated that China, as a super large market, has great advantages in driving innovation. The country’s scientific and technological innovation capabilities have also been significantly improved.”

**In semiconductors, the government has intensified efforts to develop chips at home** so as to reduce reliance on the foreign semiconductor industry. This generated unprecedented levels of enthusiasm and funneled capital from Chinese entrepreneurs into the domestic semiconductor industry, with even carmakers jumping on the auto chip bandwagon. According to market consultancy Preqin, China surpassed the United States in terms of semiconductor financing last year. Chinese chipmakers, integrated circuit designers and other semiconductor startups received USD8.8 billion in funding last year, more than six times the USD1.3 billion invested in comparable U.S. companies. Ding Wenwu, President of the China Integrated Circuit Industry Investment Fund, said that although investments in the chip design segment increased over the past decade, more efforts are needed in the fields of chip materials, equipment and manufacturing. “Chip design has a lower technological threshold and quick investment returns. But chip materials, equipment and manufacturing are the areas where China lags behind developed countries such as the U.S.,” Ding said.

**China will raise the pretax deduction of research and development (R&D) expenses** of small and medium-sized sci-tech enterprises from 75% to 100%, grant tax breaks to enterprises that invest in basic research, and accelerate the depreciation of equipment and tools. Preferential corporate income tax will be available for new and high-tech enterprises. “Our policy of tax and fee reductions is like applying fertilizer and water, and the initiative for mass entrepreneurship and innovation aims to help more market entities take root and grow,” said Premier Li at a news conference after the closing of the NPC session.

The 2022 draft plan for national economic and social development specified that faster breakthroughs in core technologies such as **bio-medicines, high-end instruments, green and low carbon energy and basic software will be a priority**. China will also intensify efforts to develop national laboratories, major research projects and innovation centers in Beijing, Shanghai and the Guangdong-Hong Kong-Macao Greater Bay Area. Liu Qingfeng, Chairman of iFlytek, a smart translation company, said such policy support has stimulated the vitality of high-tech companies and inspired more entrepreneurs to pursue innovations. “Companies should promote systematic innovation based on original innovations and continuously improve their ability of integrating key technologies into industries. More efforts are also expected to be made to guide tech and market talent to join in,” Liu said.

Premier Li's report also highlighted the efforts of **developing the digital economy**, building more digital information infrastructure, applying 5G technology on a larger scale and advancing digitalization of industries. Accelerated efforts will also be made for the development of fields like the industrial internet, artificial intelligence, key software and critical hardware, the report said. According to the China Academy of Information and Communications Technology, China’s digital economy reached USD5.4 trillion in 2020 in terms of market size, a growth of 9.6% year-on-year, the fastest worldwide.

**“China’s digital economy** has become a new driver of the country’s economic growth and **will play an important role in driving economic recovery globally,**” said Gong Ke, former President of the World Federation of Engineering Organizations and Executive Director of the Chinese Institute of New Generation Artificial Intelligence Development Strategies. China will scale up spending on R&D by more than 7% annually during the 14th Five Year Plan (2021-25) period to drive more technological breakthroughs, and according to McKinsey & Co set the country on the path to becoming the world’s largest spender on R&D.

**One example of an innovative Chinese “little giant” is Chengdu-based XGIMI, China's largest intelligent projector manufacturer.** Zhong Bo, CEO of XGIMI, said the company aims to become “the largest intelligent projector firm worldwide”. In 2020, its overseas revenue increased more than 300% year-on-year. China has 4,762 national-level “little giant” companies and over 40,000 provincial-level firms, the China Daily reports.

# CLEAN ENERGY

## Demand for Chinese solar panels to increase as Europe avoids buying Russian oil and gas

**Europe's attempts to cut its reliance on Russian oil and gas is likely to drive more buyers towards solar panels from Chinese manufacturers**, helping sustain prices near a three-year high, analysts said. As the U.S. and the EU imposed sanctions on Russia's key exports, the European Union is to take steps to build alternative energy sources and make it independent from Russian fossil fuel. The EU, which currently relies on Russia for 40% of its natural gas needs, is looking to trim that by two-thirds by the end of 2022, officials have said. That would call for a near-quadrupling of installed capacity, up by 480 gigawatt (GW) of wind farms and 420 GW of solar farms by 2030 from current levels. The initiative could also raise the EU's installed solar energy capacity to 585 GW in 2030 to compensate for the loss of 20 billion cubic meters of annual Russian gas imports.

**"We believe overseas demand for China's solar panels will remain strong" even at higher prices**, said Dennis Ip, Analyst at Daiwa Capital Markets. The Ukraine conflict will also encourage energy users to go green faster, he added. Solar panels currently cost around CNY1.88 per watt, according to Ip. Prices hit CNY2.1 in December last year, a level not seen since July 2019, under pressure from a surge in the prices of raw materials such as polysilicon because of tightening supply.

Prices are likely to stay elevated before easing off after the fourth quarter this year when additional new raw material capacity comes on stream, said Frank Haugwitz, Founder of Asia Europe Clean Energy (Solar) Advisory. China's annual polysilicon capacity may surge to 3 million tons by 2025, enough to produce 1,000 GW of panels, assuming all the projects announced in the past 18 months are built as planned, he forecasts. China is the world's biggest solar-panel producer and the biggest market as well. The EU installed a record 25.9 GW of solar farms last year, compared to 54.9 GW in China, despite severe material supply shortages, logistic challenges and product price hikes. The EU could install 30 GW this year, according to SolarPower Europe, a Brussels-based industry association.

**Europe, including non-EU nations, is the biggest export market for Chinese solar panels.** It accounted for 45 GW last year, a 54% increase from 2020, as the region stepped up efforts to fight climate change. China's solar panels output jumped 46% last year to 182 GW. Some 100.5 GW worth USD25 billion were exported, a 27% increase from a year earlier. Benefits from the EU's latest pro-renewables policy will start to be reflected in shipments of Chinese panels next year, when more components become available, said Edurne Zoco, Executive Director responsible for clean energy technology research at S&P Global.

The industry association SolarPower Europe earlier this month called on the European Commission to boost solar installations to 1,000 GW by 2030. It has previously projected that 672 GW of solar capacity can be put in place under existing policies by 2030. The Association proposed measures including mandatory solar installations on new buildings, banning fossil-fuel boilers, freezing grid connection fees and setting aside €1 billion to help boost its own solar panel production capacity.

Eight leading European solar projects developers have lobbied the European Commission in January for policy support to boost the EU's annual solar panel capacity to 20 GW by 2030 from 2 GW currently, to enhance energy security, the South China Morning Post reports.

# CHINA NEWS ROUND-UP

## Actually used FDI up 37.9% in first two months

**Foreign direct investment (FDI) into the Chinese mainland, in terms of actual use, rose 37.9% year-on-year to CNY243.7 billion in the first two months of 2022, versus a 14.9% growth last year,** the Ministry of Commerce (MOFCOM) said. That amounts to USD37.86 billion in U.S. dollar terms, up 45.2% year-on-year. Actual use of FDI in the services sector totaled CNY175.7 billion, up 24% year-on-year. Investment in high-tech industries grew 73.8% year-on-year. Despite rising external uncertainties, multinationals plan to expand their footprint and investment in China, given its robust development prospects and continuous steps in opening-up, global business leaders said.

**Digital transformation, carbon neutrality and common prosperity are among the top areas** that are providing the greatest opportunities for multinationals, they said in a recent series of interviews with China Daily. Qualcomm China Chairman Frank Meng said, "Like many domestic and foreign companies that have benefited from the continuously improving business environment in China, we are upping our investments, expanding our presence and seeing a growing list of partners in the country". According to Meng, Qualcomm will work with its partners to make technology more accessible and accelerate the 5G-powered digital economy, embracing the opportunities offered in China by digital transformation.

Despite uncertainties, such as the potential risks of decoupling and the U.S. Federal Reserve's looming tightening measures, U.S. engine manufacturer Cummins will continue to invest in expanding its operations in China, said Nathan Stoner, Vice President of Cummins and Chairman of Cummins China. "China continues to be the world's largest end-market of engines by volume, a critical link in our global supply chain, and one of the fastest developing markets for new energy and hydrogen," Stoner said, adding that Cummins will open its USD150 million research and development (R&D) center in Wuhan, Hubei province, in the second quarter.

Underpinning business leaders' confidence has been China's reiteration of a high-quality development agenda. The Government Work Report at the recently concluded annual session of the National People's Congress (NPC) promised measures to promote the research and application of low-carbon technologies, improve the income distribution system, and boost technological innovation as well as digital industries this year. "Innovation, decarbonization and common prosperity rank high on China's agenda, and we anticipate China's high-quality development will drive future global economic growth over the coming decades," said Jerry Zhang, Executive Vice Chairman and CEO of Standard Chartered China. The Government Work Report also highlighted the country's continuous drive in terms of opening-up, and pledged to ensure equal treatment for foreign enterprises, encourage them to enter a broader range of sectors and launch more trials for opening the services sector. To further boost foreign businesses' confidence in the Chinese market, it is critical for local governments to follow the principle of national treatment, or treating foreign and domestic enterprises in the same way, said David Blair, Vice President at the Center for China and Globalization, the China Daily reports.

## Further stabilization expected in property sector

**The latest property investment and sales data from the National Bureau of Statistics (NBS) indicate a recovery in both supply and demand, boding well for further market stabilization in the coming months,** industry experts said. China's investment in property development rose 3.7% year-on-year to CNY1.45 trillion in the first two months. Investment in residential buildings alone rose by 3.7% year-on-year to about CNY1.08 trillion. The stable real estate investment suggests the fundamentals of the property sector are stabilizing, though there remains certain pressure in liquidity, said Pan Hao, Senior Analyst with the Beike Research Institute. "In order to boost the stabilization of the property market and enhance the confidence of homebuyers, joint efforts are required by real estate developers, local governments as well as financial institutions," Pan said.

In January and February, new property development totaled 149.67 million square meters, down 12% year-on-year, perhaps a reflection of the capital pressure on real estate developers, according to Chen Wenjing, Deputy Director of Research with the China Index Academy. In the January-February period, commercial housing sales fell nearly 10% year-on-year in terms of floor area to about 157 million sq m and declined 19% to CNY1.55 trillion in terms of value. Sales volume, however, has grown mildly compared with the same period of 2017 and 2019, showing market confidence is getting boosted, thanks to measures like local governments' specialized policies, provident fund loans, loans from commercial banks and favorable housing policies to attract talent, Pan said.

Since the beginning of the year, many Chinese cities announced measures to stabilize their housing markets. In addition, improvements made to the financing and credit environment to support rational demand as well as property developers' proactive offerings are creating a positive outlook for the home market in the coming months, said Yan Yuejin, Director of Shanghai-based E-house China Research and Development Institution, as reported by the China Daily.

## EU becomes China's largest trading partner in first two months

**With the European Union surpassing the Association of Southeast Asian Nations (Asean) to become China's largest trading partner in the first two months of the year, the China-EU trade demonstrates resilience and vitality, but it will take some more time to figure out if the EU can hold the top spot over the long term,** said

Gao Feng, Spokesman for China's Ministry of Commerce (MOFCOM).

During the January-February period, bilateral trade between China and the EU surged 14.8% year-on-year to reach USD137.16 billion, USD570 million more than the ASEAN-China trade value. China and the EU also achieved a record USD828.1 billion in bilateral goods trade last year. "China is willing to join hands with the EU to proactively promote the liberalization and facilitation of trade and investment, safeguard the stability and smooth operations of industrial and supply chains, and jointly elevate China-EU economic and trade cooperation to benefit enterprises and people of both sides," Gao said.

He added that the implementation of the Regional Comprehensive Economic Partnership (RCEP) agreement in Malaysia will further boost trade and investment cooperation between China and Malaysia, and benefit enterprises and consumers of both countries as the two countries deliver on their market openness commitments and apply RCEP rules in various areas. China and Malaysia have been important trading partners for years. China is the largest trading partner of Malaysia. Data from the Chinese side showed bilateral trade value was worth USD176.8 billion in 2021, up 34.5% year-on-year. Chinese exports to Malaysia grew about 40% to USD78.74 billion while its imports surged about 30% to USD98.06 billion.

## Prices of EVs raised due to price increases of battery materials

**Several Chinese manufacturers of electric vehicles (EVs) raised prices recently, which is expected to affect sales.** The sky-high prices of nickel and lithium, key materials used to make EV batteries, have forced carmakers ranging from global leader Tesla to Anhui province-based Chery Automobile to raise prices and pass on the higher costs to buyers. "They need to raise prices to maintain their profit margins," said David Zhang, a car industry researcher at the North China University of Technology. "But higher vehicle prices could hurt sales growth, with budget-conscious consumers shying away from expensive cars."

Last month, Cui Dongshu, General Secretary of the China Passenger Car Association (CPCA), said the sales of new-energy vehicles – pure electric, plug-in hybrid and fuel-cell cars – in China would jump 84% to 5.5 million units this year. Zhang forecasts a more moderate 47% gain. Tesla said the price of the Model Y's basic edition would rise by CNY15,060 to CNY316,900, effective immediately. The U.S. carmaker raised the prices of two versions of the Model 3 and the long-range Model Y by at least CNY14,248. Mainland Chinese brokerage TF Securities said in a research note on March 9 that a Model 3 fitted with a 76.8 kilowatt-hour (kWh) battery would face an additional cost of CNY10,500 if nickel prices rose from USD20,000 to USD50,000 a ton.

Prices of cars made by NIO and Xpeng Motors, Tesla's Chinese competitors, would also increase by about CNY10,000. Guangzhou-based Xpeng plans to raise prices of its vehicles from this week to offset the rising costs. The price of Xpeng's flagship P7 sedan would rise by CNY20,000, while the P5 family car would see its price go up by CNY10,000. BYD, China's largest home-grown EV company, raised the prices of its Dynasty and Ocean branded vehicles by CNY3,000 and CNY6,000, respectively. This is the second time that it has raised prices in just two months.

"A reduction in cash subsidies has already dented buying interest in EVs," said Tian Maowei, Sales Manager with Yiyou Auto Service in Shanghai. "Higher prices could further deter some from buying these cars." China's Ministry of Finance slashed the cash subsidies granted to EV buyers by 30% effective from January 1 this year. Pure electric cars with a driving range of more than 400 kilometers are currently eligible for a CNY12,600 subsidy, compared with CNY18,000 previously, the South China Morning Post reports.

## SAMR to strengthen anti-monopoly supervision

**The State Administration for Market Regulation (SAMR) has pledged to strengthen anti-monopoly supervision. The regulator will step up efforts to help improve the legal system for fair competition and provide clearer guidance to market entities.** It will also focus on stabilizing the macro-economy and safeguarding people's well-being, as well as strengthening anti-trust regulation and law enforcement in key areas. The SAMR emphasized the anti-monopoly work for this year should be carried out steadily and in a regulated, transparent and predictable manner to promote high-quality economic development. It said intensified efforts should be made to build a modern regulatory system, enhance the governance to ensure fair competition, prompt enterprises to strengthen compliance, and enable the nation to play a bigger role on the global stage in formulating anti-monopoly rules.

"How to effectively curb the disorderly expansion of capital while boosting market confidence is a major test for improving modern supervision capacities, which is also a prerequisite for deepening reforms to streamline the administration and delegate power amid efforts to improve the business environment," said Long Haibo, Senior Researcher at the Development Research Center of the State Council.

Strengthened anti-monopoly supervision is expected to increase the international competitiveness of Chinese platform-based enterprises. These platforms allow consumers, entrepreneurs, businesses and the general public to connect, share resources, and sell products or services. The governance of the platform economy should follow the principle of market orientation, rule of law and internationalization, according to the Financial Stability and Development Committee. Relevant departments should complete rectification work in large platform companies as soon as possible through regulated, transparent and predictable supervision. Authorities dealt with 176 monopoly cases and imposed fines totaling CNY23.59 billion, the China Daily reports.

## China again tops Hurun Global Rich List 2022, adding 75 billionaires

**China kept its top ranking on the Hurun Global Rich List 2022 with 1,133 billion-dollar entrepreneurs, an increase of 75 from last year**, followed by the U.S. and India, according to the Hurun Research Institute. The list showed robust growth in various industries in China, including technology, consumer products and advanced manufacturing, despite a complex global environment and growing downward pressure on the domestic economy, experts said. In spite of the lingering fallout of the Covid-19 pandemic, the number of entrepreneurs with a net worth of more than USD1 billion worldwide reached a new high, totaling 3,381.

Ten of these people have more than USD100 billion in wealth, double the number of last year. Among them, the number of high net worth individuals from China and the U.S. accounted for 55% of those on the list. Tesla CEO Elon Musk was the world's richest man for the second year in a row with an estimated wealth of CNY1.29 trillion, up 4% from last year, while the CEO of Nongfu Spring, Zhong Shanshan, reigned as China's richest man with CNY455 billion, 15th in the world. The cut-off date for calculating the wealth of the listed entrepreneurs was January 14, 2022. Rupert Hoogewerf, Founder and Chief Researcher of the Institute, said that since 2016, when China first surpassed the U.S., the number of billionaire entrepreneurs in the U.S. has increased more than 30%, while that of China doubled. Hoogewerf noted that China now has more than 1,100 billion-dollar entrepreneurs, 60% more than the U.S., which also exceeds the combined number of the U.S., India and the UK.

**Zhong Shanshan is still China's richest man**, although his wealth has dropped by nearly CNY100 billion. The ranking of ByteDance Founder Zhang Yiming rose to second place in China from fifth last year, with his wealth remaining unchanged at CNY340 billion. The wealth of CATL Founder Zeng Yuqun reached CNY335 billion, growing more than CNY100 billion, making him the third-richest entrepreneur in the country. Pony Ma, Founder and CEO of Tencent, who ranked second last year, saw his wealth drop to CNY330 billion, coming in fourth this year in China, while Alibaba Founder Jack Ma Yun ranked fifth with his wealth standing at CNY235 billion.

**Some 160 Chinese billionaires dropped out of the ranking**, which accounted for about half of the total 337 drop-outs. E-commerce platforms, real estate, education, generic drugs and vaping were sectors that saw the biggest value evaporation. The report also showed that Shenzhen, China's tech hub, has become the world's third-largest city of residence for billion-dollar entrepreneurs, followed by Beijing and Shanghai, the Global Times reports.

## Chinese ports operate normally despite Covid-19 outbreaks

**The Chinese press reports that the country's ports are operating normally despite new Covid-19 outbreaks in several port cities**, refuting claims in foreign media that the latest wave of infections in China would push up global shipping costs. According to industry insiders, the majority of Chinese ports have witnessed several rounds of Covid-19 and they have already developed a port operation mechanism under epidemic situations, which has been practiced and improved and can help ensure smooth port operations. Some foreign media outlets have reported that more container ships are waiting off Qingdao port, citing the new Covid-19 outbreaks in China, which “add more delays to a strained global supply chain.” But, a person close to the Qingdao port, told the Global Times that at present there is little impact on port operation from the new Covid-19 cases. Truck drivers can pass smoothly on the basis of a normal body temperature test, negative nucleic acid test within 48 hours, green health code and travel code, and a vehicle pass for transport of key materials.

Qingdao port also provides multimodal transport, so that cargo unloaded at the port can be transferred directly to the railroad. Shenzhen's Yantian port in Guangdong province announced that it maintains normal operation, even though the city has taken strict anti-epidemic measures to rein in the latest outbreak. The port is also delivering supplies to Hong Kong, which is hit hard by Covid-19.

## Shanghai's Yangshan port starts simultaneous LNG bunkering and cargo unloading

**Shanghai's Yangshan Port started ship-to-container liquefied natural gas (LNG) bunkering with simultaneous cargo unloading, a first among Chinese ports.** Avenir Allegiance, the world's largest LNG bunker vessel, successfully completed filling 7,000 cubic meters of LNG to CMA CGM SYMI, a large containership docked at Yangshan port, according to the Shanghai Maritime Safety Administration (SMSA). The operation took 19 hours. Container unloading and LNG refueling were carried out simultaneously, meaning the time needed for bunkering was reduced.

The successful LNG bunkering for the large dual-fuel LNG containership also showed that Shanghai port, along with Rotterdam, has become one of the few ports in the world with LNG bunkering services. Shanghai authorities, including the SMSA, have been making efforts to turn Shanghai into a bunkering hub. In August 2021, the SMSA issued the first qualification certificate for LNG bunkering in China. In September, the first certificate for a training institution for dual-fuel ship crews was issued. Under regulations in the Lingang Special Area in the China (Shanghai) Pilot Free Trade Zone, which came into force on March 1, enterprises in the Lingang Special Area may, upon approval, carry out refueling of new fuels such as LNG for international vessels on a trial basis. In recent years, demand for LNG refueling has been increasing.

However, LNG must be kept extremely cold. It can easily evaporate, explode, produce flames and cause electrostatic accumulation, which requires effective safety procedures during ship-to-ship LNG refueling. It is expected that more dual-fuel ships will dock at Shanghai port, and the SMSA will further improve safety management standards and normal service mechanisms for LNG ship-to-ship refueling, so as to comprehensively

promote the upgrading of Shanghai's role as an international shipping center and green port, said the SMSA.

In 2021, the container throughput of Shanghai port reached 47.033 million standard containers, ranking first in the world for the 12th consecutive year. Of the total throughput, Yangshan Port contributed nearly 50%. Shanghai port has more than 300 international routes, of which more than 80 depart from Yangshan port, the Global Times reports.

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